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ABSTRACT

The efforts of eight private four-year colleges to deal with revenue declines in the 1970s are described. The major social, political, and economic developments that contributed to the decline and recovery efforts are briefly reviewed. Attention is directed to strategic management responses to the financial stress. The colleges, whose identities are not revealed, experienced a net decline in total revenues over at least a 3-year period from 1973 to 1976. Characteristics of the colleges are as follows: a Protestant comprehensive college, located in a rural area; a liberal arts college that tailors programs to community needs in an unprosperous blue-collar town; a Protestant liberal arts college emphasizing teacher education; a liberal arts college in a major city that has many other colleges and universities; a selective Protestant liberal arts college in a thriving midwestern city; a highly selective college with a national reputation as a liberal-arts institution; a moderately-selective woman's college attracting students mainly from well-to-do and wealthy families; and a two-year college founded by a Catholic order. (SW)

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An NCHEMS Executive Overview

After Decline, What? Survival Strategies at Eight Private Colleges

Ellen Earle Chaffee

1984

National Center for Higher Education Management Systems
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This sizable Protestant comprehensive college, located in a rural area, welcomes students of all faiths to its career-oriented liberal-arts programs. In the sixties, enrollment at Case tripled, reaching 2,800 FTE in 1970. The faculty grew from 60 to 200. Thirty buildings went up, including dormitory quarters for 2,000 resident students. Physical-plant indebtedness reached $18 million, and debt service cost $1 million a year. Unexpectedly, enrollment fell in the next five years to about 2,000 FTE. The president, a paternalistic autocrat who had been in office more than 20 years, dismissed 25 faculty without any consultation. The faculty voted for collective bargaining, and internal dissension became intense. When the president resigned, a short-term debt of $1.7 million had accumulated in addition to the large capital debt. His successor, ineffective both as administrator and as fund-raiser, left after two years. The current president brought stability to Case College, but it still is heavily in debt.

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Link's liberal-arts programs are tailored to community needs in an unprosperous blue-collar town. Link grew in the early sixties, reaching a plateau of 2,700 FTE students late in the decade. But competition from a public technical college that opened nearby was a major factor in reducing enrollment at Link to 1,450 FTE by the late seventies. Total revenue dropped 23 percent. The veteran business officer several times made alarmist projections of deficit spending, which in fact was held to a minimum. The president, chosen mainly for his fund-raising experience, did not involve himself in college finances. He did not resolve policy disputes among his fractious vice-presidents, and he did not resolve the long-standing issue about possible sale of the college or its merger with a larger institution. In frustration, the faculty voted for collective bargaining and asked that a new president be named. The trustees obliged. Today, more than 70 percent of Link's enrollment loss has been recovered and the enrollment outlook is stable. Faculty morale is high, academic programs are well adjusted to community needs, and the president is lauded for having removed administrative and psychological impediments to recovery.

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Established in the early sixties as a Protestant liberal-arts college emphasizing teacher education, Rally had a student body of 650 FTE within five years and projected 1,300 FTE by the end of the seventies. The president, an indulgent patriarch, presided over an inept and negligent administration that incurred operating deficits in most years. The president covered them by short-term borrowing from local banks. Instead of continuing to grow, enrollment unexpectedly dropped in the early seventies, and a financial crisis quickly developed. In 1974, the president had to tell the trustees that the college could not meet its payroll and had exhausted its credit. The chairman of the board of trustees took charge for nearly a year, while a new president was recruited. The new president, building on the actions of the chairman of the board that saved the college from extinction, led Rally through a slow but sound recovery. The college is now educationally productive for a larger set of constituents than it once served and lives within its means. But it remains heavily dependent on annual giving to balance the budget.

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Once a proprietary business school and then a junior college, Niche was accredited as a four-year liberal-arts institution in the late sixties. The college is located downtown in a major city in which other colleges and universities abound. But Niche is the only small, nonselective college with comprehensive programs and a strong liberal-arts orientation. Enrollment grew fourfold in the sixties, reaching close to 3,000 FTE when the founder retired. The vice-president stepped up and quickly launched ambitious capital expansion, financed largely by loans. But soon Niche began to lose students, and enrollment was down to 1,200 FTE by 1975. Total revenue declined from $6.7 million in 1972-73 to $4.5 million in 1975. The city threatened to sell the campus for disputed back taxes, the college ran out of operating funds, the president resigned, and the trustees decided to close the college. The academic dean was named acting president. Trained in philosophy and almost devoid of executive experience, the acting president drew up a survival plan that the trustees accepted. Niche College is now financially stable and generally is viewed as a community asset.

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This selective Protestant liberal-arts college, located in a thriving midwestern city, strove for a higher level of excellence in the 1960s. At first, enrollment dropped 20 percent to 1,500 FTE, but by 1969 it was up to 2,000 FTE and the excellence goals had been met with respect to both faculty and students. A philanthropist with family ties to the institution financed the heavy costs involved. In 1968, a new president made a heavy commitment to the program to recruit and support talented but underprepared minority students. The student body became heavily engaged in social activism, which hurt the public image of the college. Enormous deficits were run up, but the philanthropist withdrew most of his financial support to the college. Enrollment turned down, dropping to 1,500 FTE in 1976-77. The resultant revenue losses combined with deficit spending to create a severe financial crisis. A new president was named in 1971, but he left four years later without having resolved the financial and organizational problems he had inherited. Under its third president in seven years, Ryke College slowly began to recover. Ryke is now fiscally sound, but enrollment remains near the low point of the seventies.

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This highly selective college has a national reputation as a liberal-arts stronghold. It is well endowed and able to provide high levels of financial aid to students. Many of its graduates take advanced degrees and follow academic careers. Enrollment grew about 50 percent in the sixties, and stood at 1,400 FTE in 1970. Expecting further growth, the college overbuilt. But enrollment started downward and had fallen to 950 FTE by the late seventies. It has since been stable. Prairie's president from 1949 to 1973, a highly respected educator, was not financially prudent. His administration frequently posted operating deficits, which upon his retirement totaled $3.5 million. Borrowing from the endowment and capital-construction loans accounted for another $14 million of debt.

Under the succeeding president, the college is smaller today than it was in 1970. But it has maintained high academic standards while achieving a financial stability it had not really known in the fifties and sixties.

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Enterprise is a women's college, moderately selective, attracting students mainly from well-to-do and wealthy families. Enrollment nearly doubled in the sixties, exceeding 700 FTE until it began to decline slowly in the early seventies. In 1976, enrollment dropped 16 percent, to 542, probably because of rumors that Enterprise might close. But tuition revenue did not decline as fast as enrollment. The financial crisis that gripped Enterprise was caused principally by physical-plant and faculty expansion in the sixties that was carried out with an inadequate financial base, and persistent deficit spending in the seventies. The president resigned under pressure, and a woman with extensive administrative experience was selected to succeed him. Enterprise College is now a stronger, more viable institution than it was during the sixties. The college community attributes recovery and new growth unreservedly to the president who took over in the midst of crisis.

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The Catholic order that founded Harmony in the 19th century as a two-year college for women still controls the administration and provides a number of faculty. While Harmony has remained true to its liberal-arts tradition, it

concentrates on meeting the educational needs of a broad range of constituents. A 25 percent decline in FTE enrollment in the mid-seventies was caused mainly by a loss of part-time adult students. But the four years of decline were followed by five years of enrollment increases, resulting in a substantial net growth for the decade. Harmony weathered its enrollment decline without major institutional disruptions or financial difficulty.

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Acknowledgments

I am grateful to Bill Johnston for perceptive, persistent editing of these cases. The cases themselves depend entirely on contributions from about 10 individuals at each campus. Their willingness to tell their stories and explain what the stories meant made the study possible, and I am deeply grateful to those individuals. Renee de Alba, Frank Dunford, Judy Butler, Dee Lowrance, Mary Hey, and Linda Croom Mullins were instrumental staff members who made the work possible. The study was supported by a contract (400-80-0109) from the National Institute of Education.

Introduction

The case studies in this book were originally compiled for a research project that I and others conducted at the National Center for Higher Education Management Systems. The research project generated a considerable amount of statistical information about each case, information that would support comparative analysis of the sort primarily interesting to researchers in the field of higher-education administration. In the present book, I have retained only those statistics for each case that broadly chart the course of decline and the progress of recovery. The narratives have been heavily revised and reorganized along lines that I hope will match the interests of working administrators, who have little time to dwell on statistical abstractions.[1]

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1. Administrators who wish to peruse the research in detail should see Ellen Earle Chaffee, with David A. Whetten and Kim S. Cameron, *Case Studies in College Strategy* (Boulder, Colo.: National Center for Higher Education Management Systems, 1983). The research was sponsored by the National Institute of Education.

Ellen Earle Chaffee

In their present form, the cases emphasize the human aspects of each institution's confrontation with hard times. I was an uninvolved inquirer guided and constricted by a research design and rigorous procedures, but I still never failed to be fascinated by the stories of human error and failure, of frustration and fear, of dedication and fortitude that dwelled in my notes but not in the statistics I was compiling. I was particularly engrossed by the extent to which quality of leadership seemed to influence the course of institutional experience, before, during, and after a major crisis. I think the readers of these case narratives will largely agree that for small private colleges in trouble, finding an able and dedicated leader is a matter of life or death. All of the colleges represented in this book are still with us, though some are frail. And without exception, they are today well led. For most, that was not always the case.

The narratives cover about a decade in the life of each institution, as recalled by 5 to 10 knowledgeable people on each campus and verified by documents and data. Although the colleges are quite real, I gave them pseudonyms to disguise their identity. Each college experienced a net decline in total revenues over at least a three-year period, and for most, the decline meant big trouble. Most of the colleges have recovered in good time, but decline has been prolonged in some instances, despite the truly laudable efforts of administrators, trustees, and faculties.

In the concluding chapter, I offer my own thoughts about the import of the eight cases taken together. The rest of these introductory remarks are given over to the reasons why I undertook a study of decline and recovery in private colleges, and a brief recapitulation of the environment in which such colleges were operating during the seventies.

INTRODUCTION

Understanding Strategic Management

The study arose from my skepticism about strategic planning—a concept borrowed from business that in recent years has become a live topic in higher education. I wanted to analyze the value of strategic planning in colleges but found that I couldn't. Too few institutions had been using strategic planning, and for too short a time. But *strategy* refers generally to all major policy decisions, especially those intended to affect the future position of an organization. Implicitly or explicitly, therefore, and whether they are using classic strategic-planning methods or not, all organizations are engaged in strategic management. And so I felt that I could usefully study strategic management descriptively (What are organizations actually doing?) as well as inductively (What actions have important long-term effects? What actions produce desirable outcomes?).

I decided to look at colleges where strategic management had been put to the ultimate test—at those that had declined and were attempting to recover. Needing to know the outcome of their efforts, I had to reach back in time. So I chose to examine the population of colleges that had experienced decline in the years 1973 to 1976. I scrutinized financial data from the Higher Education General Information Survey (HEGIS) on the 40 private colleges that reported rapid revenue decline during that period. From those colleges, I selected 7 that appeared to have made rapid financial recovery from 1976 to 1979, and 7 that had continued to decline. By developing detailed accounts of what had happened at each college before, during, and after the 1973-76 period, I had a basis for determining which recovery strategies were most effective. The major findings of that analysis are summarized in the concluding chapter.[2]

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[2] I reported these findings at some length in "Successful Strategic Management in Small Private Colleges," *Journal of Higher Education*, March/April 1984, pp. 212-241.

The Way It Was

Having many institutional administrators as friends and having administrative experience myself, I don't for a moment suppose that my analysis of these cases will be absorbed uncritically. This book is intended to stimulate readers—most of whom will need no prompting—to draw their own conclusions. I offer my own in due course, with the perhaps too optimistic hope that they will be in some measure affirmed by those of the reader. To facilitate contemplative reading, a summary lookback at the context for higher education in the seventies seems in order here.

The early seventies act as a shift point for higher education generally. Steady enrollment growth that began in the late fifties and exploded in the sixties was slowing due to the downturn in the size of the 18-year-old population. Draft laws that had encouraged young men to stay in college were no longer in effect. The Arab embargo of 1973-74 and rapidly increasing inflation sent college operating costs soaring, and the concurrent economic recession contributed to a rising interest among students in vocational college programs. The effect on many private four-year colleges was commonly labeled a "crunch." Costs were up, enrollments were steady or dropping, and pressures for new academic programs were strong.

Between 1973 and 1976, private four-year colleges declined more than their public counterparts. Analyses by Raymond F. Zammuto of NCHEMS showed that during those years, 29 percent of all private four-year colleges had a decline of more than 5 percent in enrollment, and 25 percent had a decline of more than 5 percent in revenues, adjusted for inflation. During the same period, 18.5 percent of the public four-year colleges had an enrollment decline, and 10 percent had a decline of more than 5 percent in revenues.

Between 1976 and 1979, the number of colleges experiencing decline in enrollments and revenues decreased in the private sector and increased in the public sector. Zammuto attributes the shift largely to changes in federal student aid—higher funding levels in general, upward changes in the limits on Basic Educational Opportunity Grants, and passage of the Middle Income Student Assistance Act. The changes absorbed some of the cost difference between public and private tuition, making private colleges more affordable. Twenty-six percent of four-year private colleges had a decline of more than 5 percent in enrollments (compared with 29 percent in the preceding four years), and 20 percent had a decline of more than 5 percent in total adjusted revenues (compared with 25 percent in the earlier period).

Generally, then, colleges like those in this study did better after 1976 than before. No doubt, some of the improvement in the cases is due to factors that favored all such colleges. But some colleges continued to decline, despite favorable factors. Others made spectacular improvements—increases so great that favorable factors alone are unlikely to account for them entirely.

Some of the unexplained variance may be attributable to luck, some to management. As one trustee remarked, "Colleges like ours are always 100 students or $100,000 away from disaster." With the margin for error so slim, a single unforeseeable and uncontrollable event may cause disaster, despite the most stringent budget control. In the cases that follow, nearly all of the colleges have such small asset bases that they are heavily at risk from such vagaries. They manage to live under this cloud because they have learned the value of excellence, the nature of calculated risks, and the power of determined leadership. I thought their tales worth telling.

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Case College

Summary

This large, comprehensive college is located in a small town in a populous state, 60 miles from a metropolis. The campus is spacious and more than amply built up. Founded in 1878 by a small, conservative Protestant denomination, Case is affiliated with a theological seminary established by the same church. But the college welcomes students of all faiths to its career-oriented liberal-arts programs. Case has no competition in its commutation area.

Case's president from 1948 through 1977 was paternalistic, an autocratic decisionmaker, and a thoroughgoing optimist. In the sixties, the college grew at a breathless pace. Enrollment rose from 980 FTE students in 1959 to 2,800 in 1970. In the same period, the faculty grew from 60 to 200. Thirty buildings went up. Dormitory quarters for 2,000 resident students were provided, because the administration projected annual increases of 200 students into the seventies.

Capital construction was financed by loans rather than fund-raising. By 1973, physical-plant indebtedness had reached $18 million and debt service cost $1 million a year. Since the college had an insignificant endowment and gifts accounted for about 5 percent of total revenue, the president apparently banked on further enrollment growth to provide the revenues needed to service the capital debt.

But in the five years following 1969-70, enrollment fell to 2,035 FTE. It remained at about that level for the rest of the decade. In 1972, the president dismissed 25 members of the faculty. The faculty promptly opted for collective bargaining, and internal dissention became a serious organizational problem.

When the president bowed out in 1977, operating deficits had created a short-term debt of $1.7 million, in addition to the large capital debt. The faculty had suffered further heavy cuts, and salaries had been frozen for years. The president's successor could not deal with major administrative issues and was an ineffective fund-raiser; he lasted only two years. Three vice-presidents left with him.

The next (and current) president brought stability to Case College. But it still is saddled with capital and short-term debt. Program changes have attracted part-time students, who previously had constituted a negligible fraction of enrollment. But with only 1,400 resident students, Case College has a larger physical plant than it needs. And the faculty is only half as large as it was in 1970.

The current president is a minister in the founding denomination who had spent many years as an administrator at the affiliated theological seminary. His style is participative and collegial, so much so that the faculty abandoned collective bargaining in 1982. He has been a successful fund-raiser with the active help of the trustees, who in the sixties had functioned only to rubber-stamp administrative performance. Income from gifts and grants has increased and so has earned income from operation of the college's conference facilities. A capital campaign to raise $7.7 million is on schedule, and the yield from the $2 million endowment is improving.

Neither enrollment growth nor tuition increases are likely to solve the problem of a $1 million short-term debt and an annual $1.4 million debt-service expense. Although Case College is stable, its ability to deal successfully with another period of decline in revenue is in question.

A Quick Break with the Past

Case College and the affiliated Protestant theological seminary were established in 1878 on a spacious, arboreal campus on the edge of a small town in farming country. For most of its history, Case had fewer than 1,000 students and half a dozen buildings. The college offered career-oriented programs with a core of liberal-arts requirements and mainly attracted recent high-school graduates who studied full time, either on a residential or commuter basis. While the state has many private colleges, none is close enough to Case to compete for commuter students. Case has never sought to be selective in admissions and has always admitted a high proportion of applicants.

In the 1960s, Case College almost tripled in size. Enrollment climbed steadily, reaching 2,800 FTE in 1970. The faculty had 60 members in 1959 and 200 in 1970. More than a score of brick buildings rose on the campus, among them a theater and a conference center with a public restaurant and banquet hall. Continued enrollment growth of 200 students a year was expected, and more construction was planned. Increases in full-time resident students accounted for most of the enrollment growth. They came mainly from eastern states where public colleges and universities were overcrowded. The college did not expect such growth, did not recruit for it, and did not seek to stimulate it through innovative programming. But Case did all it could to accommodate the rising demand for admission.

Case's president from 1948 through 1977 was a patriarchal figure, accustomed to making autonomous decisions and bent on keeping institutional growth abreast of enrollment growth. Through his efforts, 30 buildings were constructed in all, providing plant capacity for 3,000 students, including 2,000 in residence. Neither the trustees nor faculty questioned the president's authority or judgment in the years of expansion. "His optimism blinded us all," a veteran of those days recalls. "We could ask for the sky and get it."

A Quick Return to Reality

But the sky began to fall in 1970-71, when enrollment declined even as work continued on uncompleted expansionary construction. The college was to lose one-third of its enrollment in four years, and the president's last years in office were to be joyless.

New construction had been financed by borrowing, which reached $16 million in the first year of enrollment decline. Borrowing continued to meet construction commitments; physical-plant indebtedness peaked at $18.3 million in 1973, requiring annual payments of $1.4 million. The college endowment of $1 million yielded negligible income, and gifts did not exceed $500,000 annually in the early seventies. So when tuition revenue, on which the college depended to cover nearly half of the operating budget, began to decline, the fixed cost of debt service became an increasingly severe problem. In 1974-75, for example, the $1.4 million payment of principal and interest on the physical-plant debt represented 15 percent of total expenditures, and Case incurred an operating deficit of $1 million. Operating deficits in three of the last six years of the expansion-era presidency created $1.7 million in short-term debt. It is still being paid off.

In 1972, in the face of continuing enrollment losses, the president terminated 25 members of the faculty. He allocated the position reductions across the board and personally decided who was to go. For the coming year, he offered the faculty contracts with no stipulated salary, explaining that salary levels would depend on enrollment.

The faculty responded by voting to be represented in collective bargaining by the American Association of University Professors. Bargaining procedures and lines of communication between the faculty and administration were established, but faculty-administration relations were slow to mend. Increases in faculty salaries were irregular and nominal for several years, and another large faculty reduction was made in 1976. It was handled somewhat better than the first but still had divisive effects.

Darkest Before the Dawn

The retirement of the patriarchal president prompted an intensive search for a capable successor. A man who professed to be skilled in fund-raising was chosen, but he was ineffective in this role. He could not deal with the college's other big problems either, and is remembered by one individual on campus as being "so bad he was good for us, . . . a catalyst that helped to unite us." He was asked to leave in 1979.

The college turned then to the vice-president of the affiliated theological seminary, an ordained minister in the conservative denomination that founded both institutions and a successful fund-raiser for the seminary. He entered a strong vacuum, because three vice-presidents had departed with his predecessor, and he received only an interim appointment. But he quickly won permanent status as president. He defined his new job in simple, concrete terms—"to raise money, to keep my door open, and the lights on." He has done all that and more.

The Meaning of Community

First, the new president set up a planning committee to determine college priorities and make recommendations for organizing efforts to achieve those priorities. This is normally the responsibility of the chief academic officer, but that position has not been filled in the current administration. The Council of Deans considers academic issues, with one dean serving as spokesman and contact person for the council. This arrangement established a collaborative mode of decisionmaking and has worked well, but the eventual reestablishment of the position of chief academic officer has not been ruled out.

The president believes that decisions must be processed through the organization, even when there is little doubt about the outcome. He believes it is his responsibility to establish limits within which the college will operate and to develop trust and consensus. He has a consistently positive attitude, and his dedication to work sets a fast pace for other administrators and staff.

The board of trustees had been accustomed to meet only once a year during the fifties and sixties. They gradually became more involved with college affairs after 1972, although for a time they seemed to regard the faculty as contentious. Under the current president, they have become strong supporters of the college and its faculty, committed to ensuring the continuing welfare of both. Half of the trustees are members of the founding church, which provides a dual basis for rapport with the president.

Regaining Fiscal Sanity

One valuable legacy of the 1978-79 administration was the chief financial officer, a certified public accountant with an MBA degree. He had served for 10 years in a similar position at another small private college in the state. He is given much credit for holding the college together during the leadership crisis that preceded the installation of the current president in 1979. Since then, he has conducted a continuing study of costs. For a long time, he looked at every purchase order to determine whether some less costly means could be found to meet the need. Cost control has been effective: Case has relatively low expenditures on the operation and maintenance of the physical plant and in institutional support, considering the size of the institution and the fact that it is overbuilt.

The operating budget has been kept in balance since 1978. Total revenues have risen steadily since 1976 but only enough to keep up with inflation. Measured in 1973 constant dollars, total revenue was below $7 million in 1979 ($10.2 million in current dollars). But gains against inflation have been registered in subsequent years. The accumulated short-term debt of $1.7 million on the books in 1978 has been cut in half.

House Poor

The current value of the physical plant, built for 3,000 students, is $50 million. With only 1,400 resident students, the college has been seeking alternative uses for some of its buildings. But the town is small and out of the way, and most of the excess building space remains underused. Revenue from the conference facilities is improving, however—from $300,000 in 1978 to $800,000 in 1982. The market value of the endowment has risen beyond $2 million, but endowment income is below $200,000 a year. In sum, the $1.4 million annual payment on the physical-plant debt continues to throw a long shadow over the operating budget.

Tuition income began to rise in 1976, as enrollment stabilized at around 2,000 FTE. By 1979, tuition income had risen 22 percent, to $6.1 million. It reached $7.2 million in 1980, when enrollment increased to nearly 2,300 FTE.

The president's fund-raising ability has been a modest factor in recovery at Case College. Annual giving runs to about $500,000.

A campaign to raise $7.7 million is two-thirds complete and on schedule; the funds will be used for scholarships, faculty and plant endowments, and general expenditures.

The college community feels better able to deal with financial difficulties, because of the experience of recent years. But not much room for economizing is left, and some feel that a new bout of financial trouble would be hard to handle. On the other hand, Case is less likely to encounter such trouble again because the college has learned how to market its programs. It is easier now to gain acceptance at Case for nontraditional ideas. Faculty and administrators are more alert to opportunities, and they are working together better. Here again, the president has shown the way.

Seeking Markets

At the seminary, the president had established successful outreach programs to serve students around the state who could not go into residence at Case to pursue theological studies. In the late seventies, the college established off-campus centers, often in rented school facilities, to offer courses in nearby towns and cities. These courses are tailored to local needs, in line with requirements by the state coordinating board for off-campus programs. They are primarily taught by main-campus faculty. Programs at a nearby state reformatory offer classes for about 200 inmates. The state pays the tuition and the program is profitable for the college. But the permanency of this program depends on the vagaries of politics.

At the main campus, the college offers a number of professional and preprofessional programs as well as traditional liberal-arts majors. New programs must be consonant with college resources as well as market demand. In the past decade, programs have been developed in radio and television, business and economics, applied technology, criminal justice, and baccalaureate nursing. The MBA program offers courses at seven sites; 80 percent of the students' employers pay the tuition, and the program grew to an enrollment of 500 in four years. A new master's program in education is succeeding, as well as an art program offered in cooperation with the art institute at a nearby city. A program in English as a second language, like the reformatory program, turned out to be more in demand than expected. Another innovation of sorts was the recent reopening of a residential secondary academy that the college had discontinued many years before.

Fact Finders

Market analysis is now almost continual at Case to provide an objective basis for program planning and evaluation. A succession of market studies has been conducted in recent years, each by a group consisting of faculty and administrators that makes recommendations regarding needed programs, preparation of new programs, and relevance and viability of existing programs.

Faculty involvement in the semiformal strategic-planning process has improved market responsiveness at Case and enabled individual faculty to play various roles. This has saved money and improved the collective esprit while helping to avoid further involuntary personnel cuts.

The new approach to programming has changed the look of the student body. The number of residential students declined in the 1970s, but the loss was more than compensated for by gains in part-time commuter and extension students. For young undergraduates, Case offers a full range of extracurricular activities. To attract able students, the college has a relatively strong merit scholarship program. For those needing bank loans to offset decreases in federal student aid, Case has pledged the interest on its certificates of deposit as a subsidy. These funds are applied against the interest that accumulates on bank loans while the students are in school.

Ellen Earle Chaffee

Alma Mater

For most of its history, Case College has functioned as an extended family. Many members of the faculty and staff and some administrators are alumni of the college, with long records of service in various capacities. It is common for one individual to fill two or more roles at the same time and to have experience with several different kinds of responsibilities. This pattern was interrupted in the sixties, when faculty increased more than 200 percent and individual roles were more narrowly defined. The tendency toward individual insularity gradually dissipated in the seventies, however. Many of the newer faculty left and those who remained were again called upon to contribute in various ways to the recovery effort.

The faculty now may be characterized as strong, resilient, steadfastly loyal to Case ("We *belong* to the college"), and committed to teamwork with the administration. The faculty has become keenly aware of the need to identify and provide programs that appeal to the college's markets. With a relatively low total of course offerings, they have clustered courses in various packages to provide more than 75 majors. Many faculty cross-teach in disciplines other than their primary areas of training and agreeably shift assignments to keep course offerings consonant with student needs. A number of part-time faculty serve also as part-time administrators. In 1975, the number of academic departments was reduced by clustering several as one unit, and another clustering in 1979 created a few schools out of many departments. These changes in academic organization at Case strengthened personal relations and fostered interdisciplinary program efforts. The healing and rejuvenating effects of the ministry of the current president were clearly attested to in 1982, when the faculty voted almost unanimously to decertify the AAUP and do away with collective bargaining.

Commentary

Comprehensive administrative talents and unswerving dedication to his job make the minister-president the central figure in the story of recovery at Case College. But his has been a qualified success: fund-raising has improved but still falls short of reasonable expectations. Annual giving has not improved markedly and the endowment remains very small. The yearly debt-service payment of $1.4 million is more than Case can comfortably bear, being so heavily dependent on tuition for operating revenues. The college is solvent, but times are still tough. Moreover, the 75 degree programs spread faculty resources dangerously thin, and the extent of cross-teaching is a measure of the continuing pressure of expediency at Case. One may question, too, the wisdom of filling out part-time faculty appointments with administrative duties: entrenched amateurism has contributed to the decline of more than one school, and it may well impede recovery.

The present administration is able to manage the financial situation year to year only because the faculty has willingly walked many extra miles to save the college. The resort to collective bargaining in 1972 was seen by the trustees as unnecessarily combative. But in retrospect, the faculty union can be seen as a crucial factor in the survival of the college.

The key lesson that emerges, then, may surprise many top executives in higher education:

> **Collective-bargaining can make a meaningful contribution to survival efforts without creating a permanent adversary relationship between faculty and the administration.** What Case needed most in 1972 was new attitudes and lines of communication. The faculty had abrogated some of its traditional responsibilities, but the problems at Case could not be solved without faculty-administration collaboration. For 10 years, according to well-placed observers, the faculty union was the focus for efforts to build collaboration and

understanding. It also helped restore the cohesion that had characterized the college community before the expansion of the sixties, and it gave the faculty a voice that could not be ignored. The abandonment of collective bargaining when it had served these purposes says as much for the faculty as it does for the administration. Someone at Case remarked that the college does not have to have a great president, but it has learned that it cannot rise above the president it has. The same can be said for its faculty—which clearly is Case's largest long-run asset.

FIGURE 1

Total Full-Time and Total FTE Students (72-73 to 80-81)

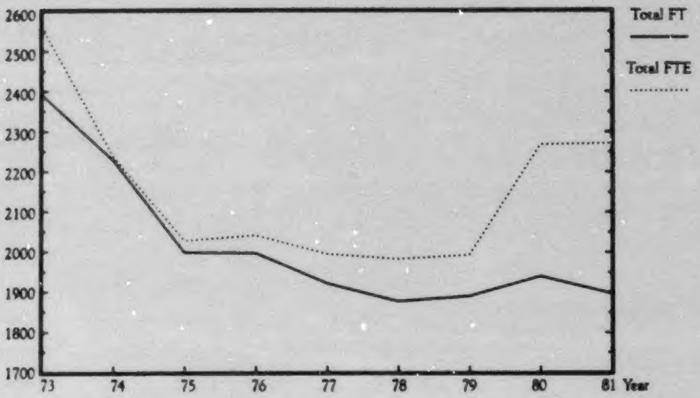


FIGURE 2

Total Revenues and Expenditures (72-73 to 80-81)

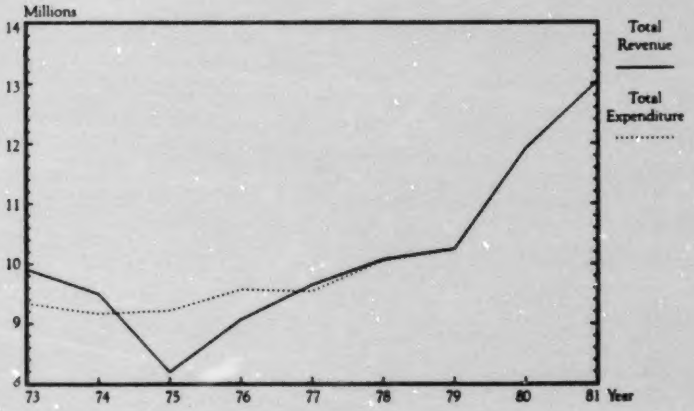


FIGURE 3

Total Revenues and Physical Plant Indebtedness (72-73 to 80-81)

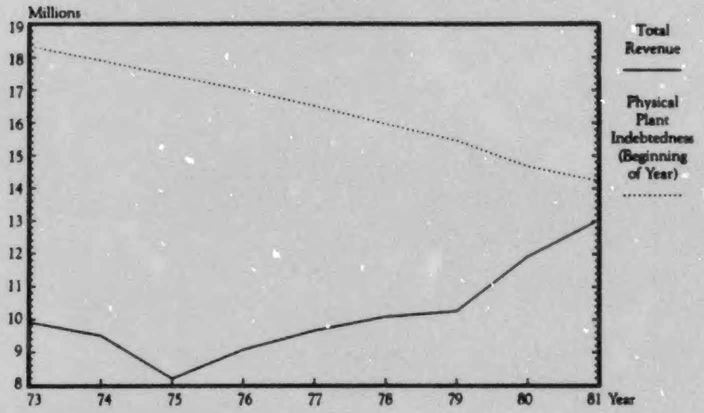
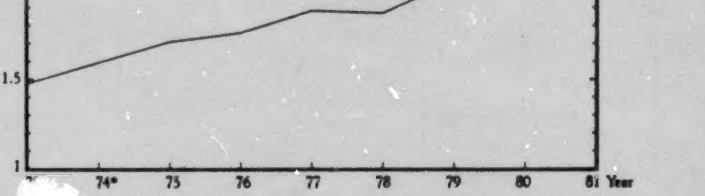


FIGURE 4

Endowment Market Value—End of Year (72-73 to 80-81)



*E[illegible]ment Market Value for 1974 is interpolated

NOTE: Data for Figures 1-4 are taken from the Higher Education General Information Survey (HEGIS).

Link College

Summary

Link College was established after World War II in a blue-collar town that has not prospered and that is losing population. At first, Link styled itself "the community college." Its liberal-arts programs were tailored to community needs, both before and after it outgrew its mid-town campus and moved to the outskirts of town.

With no nearby competition, Link grew in the early sixties, reaching a plateau of 2,700 FTE late in the decade. But then a public technical college was established in the vicinity and drew many of Link's students away. By the late seventies, Link's enrollment had dropped to 1,450 FTE.

Total revenue and enrollment both dropped 23 percent from 1973 to 1978. While close budget control held deficit spending to a minimum, the veteran business officer several times made alarmist projections of deficits. One year, the faculty received no salary increases because of a supposedly bleak financial outlook; in fact, the college wound up with a surplus.

Link's financial troubles arose during the administration of a president who had been chosen primarily for his experience in fund-raising. He did not take a decisive role in financial decisions and did not keep peace among his vice-presidents or enforce even-handed administration of policies. Most important, he did not resolve a long-standing issue about possible sale of the college or merger with a larger institution.

State curbs on competition from the technical college and innovative evening offerings stabilized enrollment and revenue in the mid-seventies. But with the future of the college unresolved and staffing policies uncertain, the faculty voted to make the AAUP its bargaining agent and called for a new president.

The presidency went to a state education official with an excellent reputation as an administrator and financial manager. His state-level background made him politically effective in making friends for the college and for the private sector generally.

The college's development foundation legally owns Link's campus and must approve any merger or sale. When the new president took over, the foundation called a halt to all talk of new proprietorship for the college, a decision that did much to relieve tensions throughout the college community.

The new president assembled an able administrative team, established excellent communication between the administration and the faculty, and became heavily involved in community relations and student recruiting. In cooperation with the development foundation, he has been able to reduce Link's dependence on tuition by increasing grants and gifts. The endowment has reached $1.5 million, debt service is not a major problem, and budget deficits are a thing of the past.

The program innovation that helped arrest decline has increased part-time enrollment mainly, and this trend is expected to continue. More than 70 percent of the enrollment loss has been regained, and overall enrollment is expected to be stable for at least the next few years.

LINK COLLEGE

Faculty morale is high, academic programs are well adjusted to community needs, and the college functions as a community rather than an assortment of insular interest groups. The current president's greatest contribution to Link College has been to clear away administrative and psychological impediments to recovery.

A Boot-Strap Satellite

Link College was established in 1946 by a private university some 50 miles away, in response to local requests.

The locality is a primarily blue-collar town that has gradually slipped into economic depression and that is experiencing outmigration. Link's degrees are formally granted by the parent institution. But from the first, the college has been largely autonomous and independently accredited. The university provides management expertise and assistance, sometimes on a fee basis. It does not support the college financially, however. Link has had its own development foundation since the mid-fifties and dedicates itself to meeting the needs of its community. In its earliest years, Link liked to be called "the community college."

In the early sixties, Link outgrew its downtown facilities and moved to a new campus on the outskirts of town. A sentiment arose at the college to emphasize traditional liberal-arts programs more and to be less influenced by community needs. But this was not a strong impulse, and it soon died away.

A Public-Sector Threat

For more than two decades, Link had no competition in its area. Many students had G.I. benefits. The college grew steadily in the early sixties and enrollment was stable from 1965 to 1969, at around 2,700 FTE.

But in 1969, the state established an upper-division technical college a few miles from the Link campus. Enrollment promptly dropped at Link, and it continued down as State Tech began offering programs not envisioned in its mission statement. These competed with programs at Link and were offered at a much lower tuition. By 1971, enrollment at Link had fallen to about 2,000 FTE students, where it stabilized for three years. But enrollment decreased again in 1974 and continued downward until a low of 1,450 FTE students was reached in 1978.

State Tech had made its deepest inroad on Link enrollment by 1975. In 1976, Link slashed evening-division tuition and regained some students it had lost to the nearby public institution.

Pragmatic Program Orientation

Link began as mainly a liberal-arts college, but with four career programs. Since 1946, virtually all program change has been in the direction of expanded career education. For example, Link was among the first colleges to offer majors in public relations and construction management. Program development is guided by local employment opportunities, emphasizes the use of local resources, and remains open to change. Frequent faculty review of the entire curriculum keeps it relevant with respect to local need. These reviews also maintain efficiency by determining which specialized courses can be offered in alternate years and how the total number of courses can be cut.

When enrollment began dropping off in the seventies, foreign languages and the nursing program were cut back. But no other major program adjustments were made.

LINK COLLEGE

Inflation Outstrips Revenue

In constant dollars, total revenues sank steadily for five years, from $5.9 million in 1973 to $4.6 million in 1978—a 23 percent loss. The loss of FTE enrollment during that period was also about 23 percent. Expenditures never significantly exceeded revenues. This indication of close fiscal control fails, however, to suggest the extent of financial stress, both real and psychological, felt at Link during the seventies.

In 1969, the college depended on tuition for 85 percent of total revenues and had accumulated a $300,000 debt. Then enrollment started down. By 1971, the administration declared a state of financial exigency, projecting a $450,000 deficit for the year. This projection was reduced to $250,000 a week later, and in fact the year ended with no deficit incurred. In 1972, a deficit projection of $220,000 was again far off the actual mark of $34,000. In 1973, the shortfall was projected at $108,000 and proved to be $12,000. Significant deficits were avoided mainly by belt-tightening across line items in the budget. But the persistent overprojection of deficit created skepticism and anger in the college community. Conceding that the college had indeed fallen on hard times, the faculty felt deceived as to the magnitude of the problem.

Preoccupied Leadership

Faculty dissatisfaction with financial administration at Link was symptomatic of an underlying leadership problem. Link's first president, an educator of traditional bent, won great respect and firmly established the college as a viable, needed institution. The next president, who served for two decades, conducted the capital campaign that gave Link a real campus, well removed from the converted buildings downtown that had served as a makeshift campus. In 1970, a man with a background as a development officer was named president. Consideration of merger or sale of

Link was already under way when he took office, and this issue was not resolved during the six years of his administration. He stood apart from financial decisionmaking. Policies became fragmented because of troublesome administrative differences among the vice presidents. This president is mainly remembered as an inept administrator.

Financial affairs were principally in the hands of the business officer, who had served the college since its founding. His cry-wolf projections of deficits stemmed from a highly conservative fiscal posture. One year, the faculty was persuaded to do without salary increases because the financial outlook appeared so bleak. But the college realized a surplus that year—an achievement not altogether appreciated among the faculty.

Oversight from Afar

Since Link is formally a college of the parent university, it does not have an independent board of trustees. Inevitably, the trustees are far less closely involved with the affairs of the college than is generally true of small institutions.

Link is anomalous also in that its campus is owned not by the university, but by the college's independent development foundation, which has its own president. The foundation was established in the 1950s so that donors could be sure their contributions would go to Link rather than the parent university. Through periodic capital campaigns, the foundation has raised $3 million, mostly in small donations from local citizens and businesses. Since 1974, the foundation has conducted an annual fund drive.

An Unflagging Faculty

From the beginning, Link faculty has known tension between liberal-arts and career-program factions in the faculty. The tension has persisted, according to one view, because the college has not made a sufficient effort to maintain a core of liberal-art studies in all of the career programs. Nonetheless, the faculty seems generally to have a flexible outlook. It is actively involved in and dedicated to the welfare of the college and fully willing to seek out and try new programs that will respond to emerging community needs. In the early seventies, some faculty strongly favored a merger or sale while others were vigorously opposed. But throughout this trying time, the faculty as a whole worked hard to maintain a strong curriculum and help recruit students.

In the midst of talk about sale or merger, Link increased the size of its faculty by 25 percent. The premise was that enrollments would increase and finances would stabilize under new governance. When the change did not materialize, the faculty was reduced, most heavily in 1976. But the reduction was achieved through attrition, retraining, and incentives for early retirement, without disrupting the college community or creating undue hardship for individuals.

The decline in both enrollments and total revenues was near to bottoming out in 1975-76 at Link College. But the faculty was no longer willing to grin and bear the administration's seesaw staffing tactics. Moreover, the possibility that Link would merge or be sold was still in the air. The faculty voted to make the AAUP its collective-bargaining agent and called for a new president.

New Direction

An interim president was named for 1976-77. He was well liked and accomplished a good deal of healing. His successor was recruited from the executive ranks of statewide education administration.

The president since 1977 is regarded as a top-notch administrator, particularly with respect to finances. He has important statewide connections and much of his work at Link has been aimed at making friends for the college. His knowledge of state agencies and the legislature and his connections with influential individuals have helped the cause of private higher education generally in the state as well as Link College. The state offers financial aid to resident students who attend private colleges within its borders, thus helping to reduce the tuition differential between the private and public sectors. The president of Link has done much to maintain this funding and to limit programs at state institutions to their intended missions. The president is visibly involved in the college's community relations and in student recruiting. He has installed an administrative team described as "a set of agile administrators who see the possibilities [for Link] and make them happen." Faculty-administration communication is excellent, and the adversary feelings that led to collective bargaining are no longer strong. Faculty are making known their desire for greater participation in key institutional decisions, but they do not voice it as a union demand.

A New Lease on Independence

The institutional instability that plagued Link throughout the years of enrollment and revenue decline was finally resolved by a legal quirk. The college's development foundation holds title to the land on which the campus was built, and it will own the buildings when they are paid for. Therefore, the foundation board must approve any merger or sale, and it stands independent from the parent university and its trustees. When the full implications of the foundation's role as nonprofit landlord became clear, the foundation board called upon the chancellor of the university and the president of the college to discontinue efforts to sell the campus or merge the college. That ended the matter.

Having lost a quarter of its FTE enrollment between 1973 and 1976, Link was to lose another 5 percent in the next two years before registering a 5 percent gain in 1978-79. The decline in total revenue was arrested in 1977-78 but could not make headway against inflation in 1978-79, although revenue increased 6 percent in current dollars that year. In 1979-80, the current-dollar gain was more than 12 percent, and enrollment was growing faster than expected. By 1982, Link College had regained 70 percent of the enrollment lost between 1974 and 1978 and was projecting stable enrollment for the next five years.

In the Black

No talk of budget deficits has been heard at Link for several years. In fact, the college has been able to reduce its dependence upon tuition because grants and gifts have increased. State aid, to the institution and to students, totals as much as 20 percent of the annual operating budget. Grants and contracts accounted for only .2 percent of total revenue in 1971-72 but had risen to 5.1 percent by 1979-80. The development foundation owns the college endowment, to which it adds all gift income not required to balance the operating budget. The ability of the college administration to keep the "plug" figure required of the foundation low is a measure of its ability to help the foundation enhance the endowment. In recent years, gift income has represented less than 3 percent of the operating budget.

Debt service for the campus, which is still relatively new, totals $216,000 a year. Recent major capital expenditures were dedicated to improving energy efficiency. The only real need is for residence-hall space, and a drive for capital funds is under way. The development foundation owns some off-campus land and facilities that produce no income but that cannot be sold for several years under the terms of the gift agreements. These facilities are only a small drain on current funds, and their value is appreciating. And in 1982, the endowment reached $1.5 million. So Link has been accumulating assets for the future even as it recovered from substantial losses of students and revenue.

Still Attuned to the Community

While no major overhaul of programs at Link College has been undertaken, offerings for part-time students have been strengthened. Medical and technical industries are important factors in the economy of the area. They require trained employees and are willing to support the college's efforts to provide the training. Five area hospitals contribute space, equipment, and staff resources as Link rebuilds the nursing program that had been cut back sharply in the late seventies as an economy measure. Computer science, introduced cautiously, is an increasingly important program. An attractive feature for students is the availability of internships and opportunities for employment at a nearby air force base. A new actuarial-science program was established on the recommendation of local insurance companies. And a program in fine arts is helping to improve the image of the college as a liberal-arts institution; it is offered in conjunction with a small but respected art museum in the community.

Heterogeneous Student Body

Part-time students, mostly young working adults, have always accounted for a significant proportion of enrollment at Link. This proportion has fluctuated relatively more than enrollment of full-time students, particularly in the years when State Tech was a strong competitor. The college projects stable overall enrollments but with fewer day students and more evening students. Seventy percent of the part-time students are in career programs, which are not quite that popular with full-time day students.

Despite the emphasis at Link on career programs tailored to local needs, only half of its students are local residents or commuters. Statewide recruitment has been more successful than expected, and the admissions office now actively seeks students throughout the state.

LINK COLLEGE

The average SAT score for students admitted to Link over the past 10 years has fallen only 25 points, to 956 in 1982. The faculty does not express concern about any erosion of admission standards. Since the mid-seventies, the proportion of day students who graduate in four years has held steady at about 50 percent.

No Planning Plan

Link established an office for institutional research in 1969 but only recently began to automate its records. Faculty and administrators seem constantly on the alert for early-warning signals of needed changes in the curriculum. But no formal planning system has been installed. Planning seems to be taken as a continuing responsibility shared by all. Information for program planning derives from fund-raising efforts in the community and discussions with local employers and potential students.

Because Link is a young college, alumni have not been a key constituency. But the current administration is alive to their potential importance. Link is building a Division I basketball team partly to help recruit young full-time students and partly to give the alumni "something to come back to the campus for."

Commentary

Most of the factors contributing to decline at Link College in the seventies could not have been controlled by administrators. Vacillation and a lack of cohesion in executive ranks during the 1970-76 administration did not help the situation. At the same time, close budget control was exercised (however impolitically) and the college never was threatened with financial collapse. Efficiency is a tradition at Link: the college installed its own telephone system early on and invested in improving the efficiency of energy use on the campus.

The new president is providing comprehensive executive leadership. He cultivates constituencies, wins political friends, helps recruit students, and stands tall in the community. Under his administration, the affiliation with the parent university has become secure and the financial condition of the college has been made sound. Faculty morale is high, and Link is in a better position than ever before to appeal to donors and attract students. It is tempting to speculate about what would have happened at Link if this president had taken office in 1970.

A lesson that arises from the experiences at Link relates to cooperative effort.

> **Institutional loyalty and commitment does not necessarily depend upon strong organizational rapport.** Throughout the seventies, faculty and staff showed a high dedication to the welfare of the college and invested considerable effort to improve it. This was despite a directionless administration headed by a president who apparently ignored financial affairs. The business officer, entrenched for more than three decades, appeared to know or care little about academic operations. Communication between faculty and top administrators was notably poor. Nonetheless, a certain harmony and complementarity prevailed in the years of decline, even as faculty attitudes hardened into a desire for collective bargaining. Some faculty dispute has always been generated by Link's slow but steady drift away from traditional liberal-arts education and toward career programs. But this dissension has never gotten out of hand. In short, when the welfare of the institution requires it, the college appears to be able to function as a community rather than as a disparate collection of insular individuals. Most members of the institutional community seem to have a root understanding of what Link

College is all about. More important, they have the wisdom to subordinate personal or factional interests to the large purposes of the college. And these virtues were most in evidence when poor leadership made them most needed.

FIGURE 1

Total Full-Time and Total FTE Students (72-73 to 80-81)

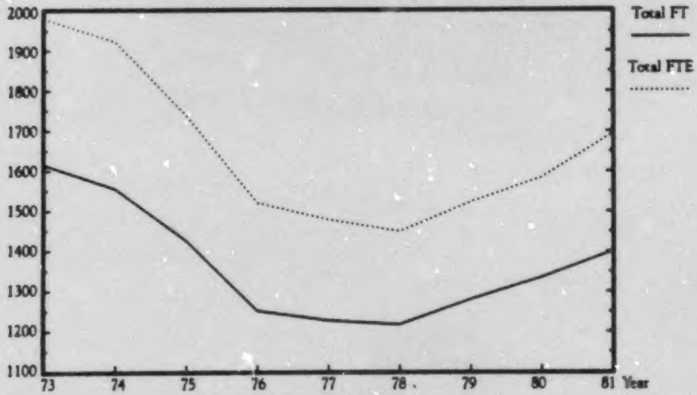


FIGURE 2

Total Revenues and Expenditures (72-73 to 80-81)

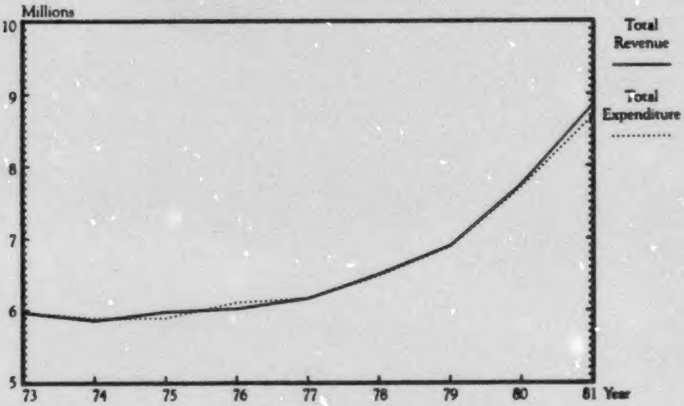


FIGURE 3

Total Revenues and Physical Plant Indebtedness (72-73 to 80-81)

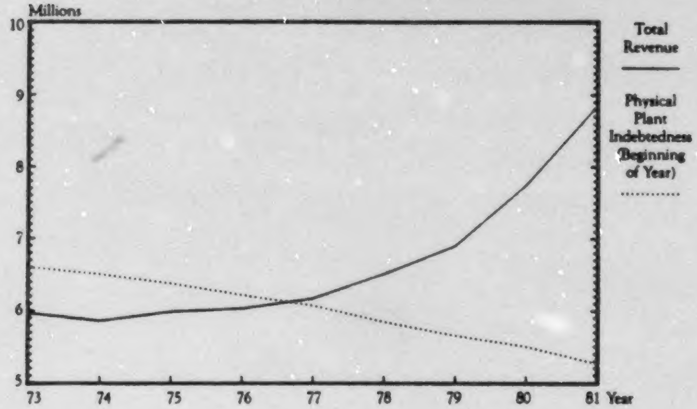
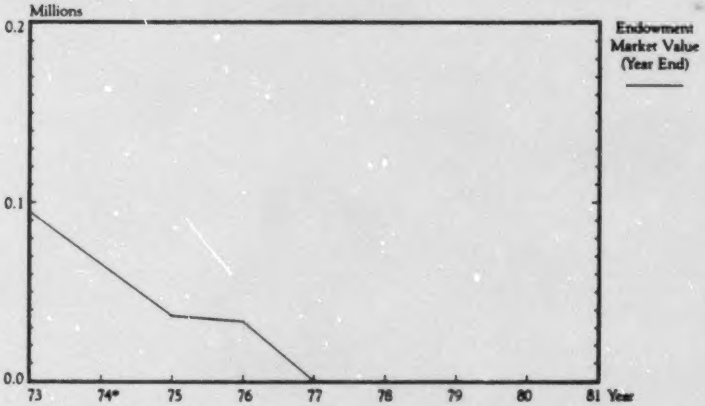


FIGURE 4

Endowment Market Value—End of Year (72-73 to 80-81)



*Endowment Market Value for 1974 is interpolated

NOTE: Data for Figures 1-4 are taken from the Higher Education General Information Survey (HEGIS). Differences in accounting between HEGIS forms and Link's structure make figure 4 misleading.

Rally College

Summary

Rally College came into being in the 1960s, largely through local initiatives, which included the gift of a sizable campus and $2 million to get construction under way. Chartered by a major Protestant denomination as a liberal-arts college emphasizing teacher education, Rally reached an enrollment of 650 FTE within five years and projected a doubling of enrollment by the end of the seventies.

Rally's first president presided in indulgent paternal fashion over an administration that in places was understaffed and that generally was inexperienced and lacked corporate training. Planning was haphazard, business affairs were ineptly handled, and the college incurred operating deficits in most years before 1975.

The trustees, largely members of the founding denomination, stood apart from college affairs, including finances. The president covered the accumulating deficit by repeatedly borrowing from local banks.

The projected growth in the seventies did not materialize. FTE enrollment dropped to 570 in 1972-73 and to 480 in 1973-74. The resultant decline in revenue led quickly to financial crisis. In late 1974, the president was forced to tell the trustees that the college had exhausted its short-term credit and could not meet the payroll.

The new chairman of the board of trustees, an influential local lawyer and political figure, immediately took charge of the situation. He told the college community and the public the dismal facts of Rally's financial situation; then he headed up a comprehensive effort by students, faculty, and trustees to raise money to save the college. He got pledges in the community for $1 million and persuaded the church to give $500,000. To restore the institution's credibility with potential contributors and creditors, he and his fellow trustees took strong action to put the college on a businesslike footing.

The president resigned, and the business officer was replaced with competent accountants. The chairman of the trustees devoted himself full time to college affairs for nearly a year while a new president was being recruited.

The new chief executive, who as president of a community college had earned a reputation for good financial management as well as effective fund-raising, proved also to be a highly effective academic administrator. He instituted extension courses in nearby towns and night courses for adults on the home campus. The liberal-arts programs were supplemented with career-preparation programs, and programs that could not pay for themselves were phased out. The former emphasis on liberal-arts degree programs has greatly diminished and various management programs have been built up.

In 1975-76, the new president's first year, enrollment at Rally dropped to 396 FTE and revenue dropped accordingly. But cost-cutting resulted in a balanced budget. The next year, enrollment began a steady increase, reaching 650 FTE in 1979 and nearly 750 in 1981. Operating deficits are a thing of the past, partly because gift revenue has more than doubled and partly because tuition income has significantly increased.

To stabilize and rebuild enrollment, Rally relaxed admission standards, accommodated part-time students, increased the representation of minority groups in the student body, and largely forsook its image as a resident, undergraduate liberal-arts college. But it has not abandoned its role and status as a Christian institution and in recent years has been steadily improving admission standards. Students are served with better counseling, career placement, life planning, and campus activities.

The administration at Rally is now strongly staffed and competent. Some faculty still regret the deemphasis of liberal-arts programs, but they understand that survival of the college required the change. In the early seventies, more than half of the faculty was tenured. The financial crisis forced faculty reductions and a salary freeze for three years. But since then, salary increases have been regularized. Only 34 percent of the faculty has tenure, and 44 percent work part time.

Final payment has been made on the short-term debt that was incurred in the early seventies and refinanced after the crisis of 1974-75. This improves the outlook for annual surpluses, which since 1977 have been no lower than $30,000 and as high as $300,000.

Long-term capital debt totals $2.3 million. Some of Rally's buildings need renovation, and gifts are being sought to refurbish them.

Rally College is now soundly managed and educationally productive for a larger set of constituents than it originally served. But it has not been able as yet to build an endowment. In the years of crisis, the college received generous support from the community and the church, but it had to apply all of these funds to operating costs. The college remains dependent on annual giving for some 20 percent of operating revenues. As a start toward reducing this dependence on annual giving, surplus operating funds are being transferred to the fledgling endowment fund. If Rally does not fear for its financial future, it nonetheless has an abiding sense of the importance of living within its means.

A Civic Conception

Rally College owes its existence more to civic initiative than to the charter it received from a major Protestant denomination in 1956. Rally's campus is in a suburb of a city of 100,000, 50 miles from a metropolis. One church had recently turned down proposals from the city to found the college, and the denomination approached next already had plans to establish a school elsewhere in the region. A civic group got pledges for 200 acres for a campus on the edge of town, $2 million to help establish the college, and $50,000 a year for as long as the college operated. On this basis, the church granted the college a charter and became a financial sponsor of the fledgling institution. Over the next three years, the campus was built. Rally admitted its first students in 1961, and 33 students received diplomas at the first commencement, in 1964.

A Conventional Beginning

Rally College is in a moderately populous state that hosts 39 private institutions, many of them church-affiliated. Rally's denomination sponsors another four-year college and also a junior college within a hundred-mile radius of the Rally campus. But Rally's most important competitor for students is a state university about 50 miles away.

The original statement of mission defined Rally as a liberal-arts institution with an emphasis on teacher education. Enrollment grew rapidly, reaching 650 students in 1965 and holding steady for the next five years. Rally did not seek to be particularly selective. In keeping with curriculum trends in the sixties, two degree programs emphasized independent study and all encouraged interdisciplinary study.

RALLY COLLEGE

Sources of Trouble

In the college's self-study, prepared for an accreditation evaluation in 1966, enrollment was projected at 700 resident students by 1973, 900 by 1977, and 1,200 by 1980. Twelve-hundred was felt then to be the optimum size, both for the campus and the academic program. At that time, the college also planned to establish an evening program. But planning was not formalized at Rally and long-range planning was particularly neglected.

The first president of Rally, who served until 1975, was a minister, a fatherly figure who ran a "one-man show," as one observer put it. The admissions and student-affairs offices were inadequately staffed in the early years, and development activities were in the hands of people lacking experience or training. Business affairs were handled in a distinctly unbusinesslike manner.

Rally's budgets were drawn up by the central administration almost secretively, and seldom wisely. The college showed operating deficits in 9 of the 14 years before 1975. The deficits were covered by borrowing. The accumulating debt worked to worsen the financial situation of the college when enrollments and revenues started downward in 1973. That debt will not be paid off until 1984.

Rally's trustees are elected by the church conference, and the charter requires that three-fourths of them be members of the church. In the first 15 years of the college's history, the trustees had little involvement with college affairs and raised almost no questions about the financial health of the institution.

End of the Beginning

"The Crunch," as it came to be called at Rally, began when FTE enrollment dropped to 570 in 1972-73 and to 480 in 1973-74. Despite increases in tuition, revenue declined by 10.4 percent, and total revenue (including borrowing) dropped 4.7 percent. But the president kept the precipitous financial condition of Rally from the trustees until one day in October 1974, when he telephoned their new chairman. The president said that he was about to take out a personal loan to meet the college payroll the next day. The chairman of the trustees, a local attorney and political figure with statewide influence, soon confirmed that Rally was in trouble.

The college had exhausted its short-term credit at every local bank. Fuel costs had more than doubled. The campus food service was $100,000 in the red. All of this had been concealed from the trustees because the annual financial statements did not reveal the shuffling of funds that had been going on for some time. The president had not trimmed the operating budgets from year to year to accommodate declining tuition income: this man of God apparently also believed in Santa Claus.

New Hand at the Helm

The chairman had a strong personal dedication to private higher education and the successful politician's competitive drive. For the next 10 months, the affairs of the college occupied him full time. A worse year was yet to come. But because of his efforts, the college and the community would be prepared to deal realistically with the continuing drop in enrollment and revenue.

He called a collegewide meeting in March 1975, including the press, to hear him describe the financial condition of the college unflinchingly. The initial reaction was, as he expected, that the college had been betrayed. It was suggested that the trustees get the state to take over the school or that the college be closed and the campus sold for some other use. But as the chairman also had expected, no public agency and no other college wished to take over Rally or acquire its facilities. With these possibilities out of the way, he turned to the community and the church for the support needed to save the college.

Rally needed $350,000 immediately to operate for the rest of the academic year. Students and faculty sponsored all kinds of fund-raisers. The chairman and the student-body president appeared often on local and statewide television, and once even on national TV, appealing for funds. Other trustees pressed previous donors for bail-out gifts and rallied civic support.

Shortly thereafter, the president resigned and the business officer was replaced by staff of a respected accounting firm. They found unpaid bills stuffed in drawers, including a telephone bill six months in arrears. Alienated local vendors held accounts long past due, and the college was delinquent on a federal construction loan.

Renewing Faith

The trustees knew that the key to long-term survival was rededication of community and church support. But the community and the church tended to see each other as having primary responsibility. At a well-attended public meeting, the chairman called for community pledges of $1 million over the next three years. He said he believed that the church would match that with $500,000 and asked for a show of hands to determine whether the audience wanted the college to stay in business. He got the response he wanted, and the pledges.

Then the chairman got the church to call a special conference, with about 1,000 delegates. He invited the other two church-supported colleges in the region to join in Rally's request for additional church funds, to forestall the question of favoritism. The chairman managed all of this because he was at the time an official delegate to the church conference and had helped the Bishop on past occasions. During the long morning of debate, the chairman of the Rally trustees walked the aisles, "staring people to their feet" to speak in support of the colleges. The funding request was approved by a margin of 20 votes.

The next step was to find a chief executive who would run the college "like a business," in the chairman's phase. Faculty were upset because academic credentials would be a lesser concern. But the chairman was adamant: only when the college was financially healthy again would he relinquish the chairmanship of the board of trustees and make way for the kind of president the faculty preferred. With church and community support pledged, the trustees could assure the new president that Rally would have at least three years free from undue financial strain.

Finding a New Niche

In 1975-76, full-time enrollment at Rally College dropped to 396 students—17.3 percent lower than in the year of crisis. Thereafter, enrollment began a steady climb, reaching the 650 FTE level of the late sixties in 1979 and rising to 744 FTE in 1981. Enrollment grew because under new leadership the college made major changes in its programs and recruitment strategies. Admissions standards were relaxed. The traditional liberal-arts emphasis was muted in favor of career-oriented programs attractive to part-time students. These programs also proved popular with local high-school graduates, keeping full-time resident enrollment strong. Rally College is no longer the liberal-arts institution defined by its mission statement: only one student in five pursues a liberal-arts major. But in its new role, Rally has become viable, and it has not abandoned the liberal arts.

More Than a Manager

As an administrator, Rally's second president is everything his predecessor was not. Trained in adult education, he came to the college from the presidency of a community college, where he had been especially effective in getting federal grants. (In 1974, Rally had no income from grants or contracts; in 1980, grants and contracts contributed $233,000 to total revenue.) He has long been active in the sponsoring church and is an able fund-raiser. (In 1973, gifts totaled $276,000; in 1980, they totaled $736,000.) A skilled manager, he has proved adept at trimming fat from the budget to keep costs down and improve productivity. Total revenue dropped 16 percent the year he took office. But he balanced the budget nonetheless, and his administration has never posted a deficit. Still, all of these accomplishments together would not have saved Rally College if enrollment had not been rebuilt. So in the long run, the new array of academic programs is likely to be regarded as the most significant accomplishment of the second president's administration, which has continued into the eighties.

Deemphasis of liberal-arts programs began in 1975, when the major in German was dropped for lack of enrollment. In the Department of Business and Economics, the orientation of the curriculum was changed from theoretical to managerial; programs in criminal justice and hotel and food-service management were added. Master's degrees are now offered in business and education. A program in aviation management is under consideration. A nursing program was dropped after a short time because it proved too expensive to develop and maintain.

Low-Cost Markets

In 1973, Rally offered 15 courses at extension sites in three other nearby towns and at an air force base. The extension program is profitable, and course offerings have more than quadrupled. At the extension sites and on its home campus, Rally offers night courses to targeted populations on request. Since the teaching is done at facilities owned by other agencies, the college's extension operation has virtually no overhead costs. Extension courses may be taught on an overload basis by regular faculty for extra pay or by part-time faculty. Quality control for extension courses is not seen as a problem.

The college has long had various cooperative arrangements with technical institutes in the area to combine technical training with academic courses for a baccalaureate degree. One such arrangement was reorganized by the second president because it turned out that the college was in effect competing with itself and losing potential revenue.

Open-Door Admissions

Rally still admits 97 percent of its applicants but gradually is improving its selectivity. After The Crunch, average SAT scores of admitted students declined 100 points in a five-year stretch. One in three members of the class that matriculated in 1977 graduated in four years. In 1981-82, 53 percent of Rally's students were commuters, 21 percent were members of minority groups, 78 percent were in-state, and 34 percent were part-time. Clearly, Rally reaches a radically different clientele than it sought during its first 15 years. For one thing, it is now more successful in recruiting transfer students from the local community college. For another, it is identifying areas out of state where it has succeeded in recruiting students and is redoubling recruitment efforts in those areas.

If Rally's academic programs have largely departed from the liberal-arts model, the college's sense of itself as a Christian institution has not. In the early seventies, campus regulations against the use of alcohol and against dormitory visitation were not enforced. Since 1975 they have been enforced, and the character of behavior on the campus has changed accordingly. At the same time, the administration has sought to improve student life through better counseling, career placement, life planning, and athletics.

Muted Nostalgia

Rally's faculty still harbors some regret at the shift away from traditional liberal-arts programs. But on balance, they realize it was necessary to ensure survival of the college. Recently, a professor in one of the new programs, criminal justice, was elected head of the faculty.

Thirty-four percent of the faculty is tenured, by comparison with 55 percent in 1975; 22 percent have terminal degrees; 44 percent are part-time. Faculty ranks were reduced between 1973 and 1975, when enrollments declined precipitously. From 1973 to 1976, faculty members received no salary increases. Since then, raises have averaged 5 to 7 percent a year. By 1975, many faculty were teaching in disciplines in which they had no training and were supporting a great deal of independent study, which required inordinate commitments of time and preparation. These irregularities have largely been eliminated with the buildup of career programs.

The administration of Rally College has undergone profound changes. In 1975, the consulting accountants recruited for the college a business officer who did not work out. But his successor in 1976 rationalized the financial situation and is fully respected, on campus and off. The admissions office, a weak operation in the early seventies when enrollments were declining, is now adequately staffed by competent people. So is the student-affairs office, which is taken as an expression of the administration's concern for the quality of student life.

The college administration has annually been reminded of The Crunch, because payments ranging between $120,000 to $150,000 have had to be made to discharge the deficit run up in the early seventies. While that reinforces motivation to maintain budget control, perhaps a more effective tactic has been the team process for budget building installed by the second president.

Since 1976, total revenues have increased in both current and constant dollars—nearly doubling in four years to $3.5 million in 1980. Since 1977, total expenditures have run $30,000 to $300,000 less than total revenues. There have been no more operating deficits for two basic reasons. First, the college was able to increase its enrollment despite sharp increases in tuition in the late 1970s. And second, annual gift revenue, which more than doubled in 1974-75, exceeded that level in four of the next five years.

For 1979 and 1980, Rally received $400,000 from the federal Strengthening Developing Institutions Program (SDIP). This was used to establish an evening division, to improve computing capacity, and to support institutional research, staff development, and long-range planning.

Long-term obligations incurred for capital construction total $2.3 million. Rally's campus has 13 buildings, mostly with brick exteriors and cinder-block interiors. Some interiors are marked for renovation if gift income for that purpose can be acquired.

Running Scared

Throughout the college community, the sense of financial threat is constant, real, and keenly felt. Most take pride and a certain security in the progress made in recent years regarding enrollments and finances. But everyone realizes that the college remains heavily dependent upon gifts, which is seen as a legacy of the crisis years. The administration is trying to build the endowment as a start toward reducing the reliance on annual giving. When possible, surplus operating funds are transferred to endowment.

The attorney who, as chairman of the board of trustees, kept Rally College from foundering is now a judge—and still chairman. Trustees have been a major facto[illegible] successful fund-raising efforts in recent years.

The fact that giving continues is a measure of Rally's renewed status in its community. In the immediate years after The Crunch, members of the community who had made financial pledges made it clear that whether they honored them would depend on whether the college honored its promises. The goal of $350,000 in community support annually has been met for several years. Rally's administration is mindful, however, that this level of local giving may not be sustainable. Because Rally is so young, its earliest graduates are only now approaching mid-career. The college is only now beginning to develop a full-blown alumni program, which in time may be an important source of financial support.

The sponsoring church annually gives Rally less than the college receives from the community but nonetheless a substantial sum. The second president has remained quite active in church affairs as well as community affairs, and Rally has maintained its religious orientation in its philosophy and orientation. As a result, there has been no significant opposition from the church to the college's deemphasis of liberal-arts education, to which it was originally dedicated in the church charter.

Commentary

In the 1975-76 college catalog, the Rally trustee chairman, acting as unofficial interim president, outlined a nine-point, long-term plan. It summarizes much of the subsequent survival strategy of the college: operate more economically, revise the curriculum to be more attractive, emphasize the quality of religious life, emphasize adult enrollments, increase state aid, build the alumni association, increase efforts at debt retirement, increase efforts to obtain deferred gifts, and capitalize on new awareness of recent problems. Rally's experience in seeking to achieve these objectives points up, in addition to some obvious truths about the value of good management, some sterling lessons about the essentially subjective nature of key aspects of decline and recovery. Three especially should be noted:

> **Trustee responsibilities cannot safely be taken for granted.** The chairman of the Rally College Board of Trustees can fairly be said to have saved the institution. But he and his fellow trustees had a powerful obligation to do so, because they had long been derelict in their duties—particularly in their responsibility for fiduciary oversight. The trustees should have been healthily skeptical of the president's benign attitude and hollow communications. At a minimum, they should have shared information; the four banks that extended

short-term credit to the college were each represented on the board. Their potential for wise oversight is demonstrated by what the trustees, and especially the chairman, actually did, once the fat was in the fire.

A public crisis can be used to purge and restore a troubled institution. The public crisis created a climate in which rapid major institutional changes were not only accepted, but demanded—by supporters and those directly associated with the college. The future of the college depended upon such changes. Further, the crisis engendered a willingness to sacrifice, especially within the college.

Constituent support, vital in achieving a turnaround, responded to a new image. Neither the crisis nor the years following were survivable without strong attitudinal and financial support from the community and the church, both of which had a long-standing investment in Rally's welfare. Despite the fact that they felt betrayed, they were willing to give the college another chance. But this forbearance did not extend to executive leadership: a new administrative term may not be a sufficient condition for recovery, but usually it is a necessary condition if an institution is to be given a chance to recover.

FIGURE 1

Total Full-Time and Total FTE Students (72-73 to 80-81)

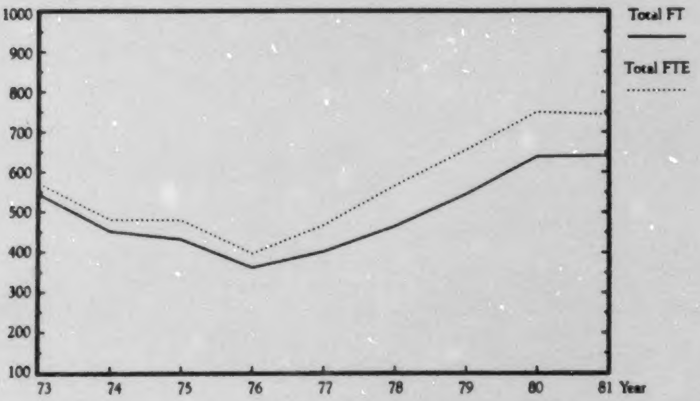


FIGURE 2

Total Revenues and Expenditures (72-73 to 80-81)

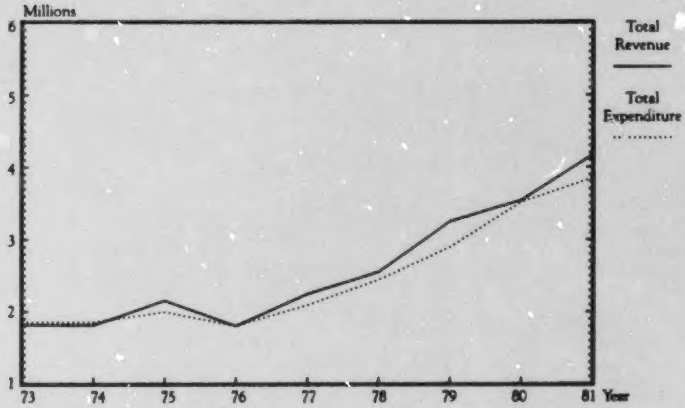


FIGURE 3

Total Revenues and Physical Plant Indebtedness (72-73 to 80-81)

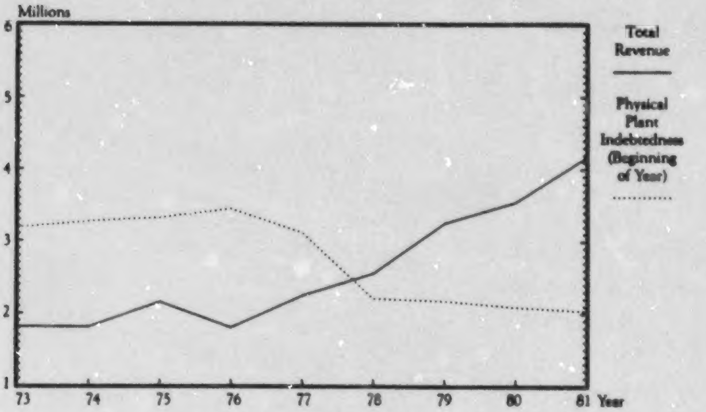
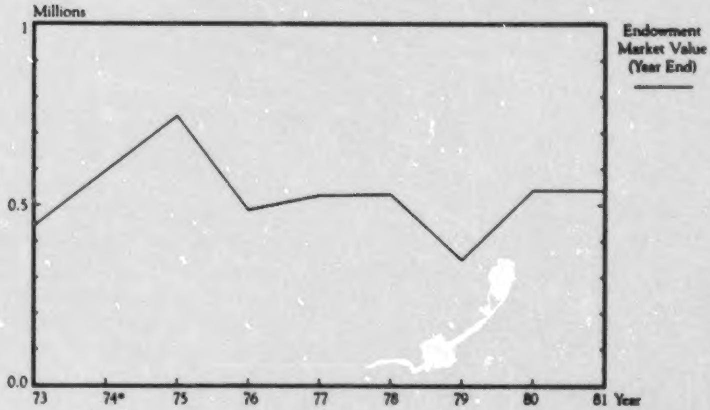


FIGURE 4

Endowment Market Value—End of Year (72-73 to 80-81)



*Endowment Market Value for 1974 is interpolated

NOTE: Data for Figures 1-4 are taken from the Higher Education General Information Survey (HEGIS).

Niche College

Summary

Niche is located in the heart of the downtown section of a major city. It is nonselective and has a diverse student body—people who live and work downtown, international students, and both resident and commuter students 18-24 years old. The city has many other colleges and universities, but Niche is the only one of its type—small, four-year, nondenominational, coeducational, and with comprehensive program offerings and a strong liberal-arts orientation.

Today a four-year independent comprehensive college, Niche began in 1933 as a proprietary business school. The founder, a woman with drive and vision, reorganized and expanded the school in 1960 to make it a nonprofit junior college. Niche steadily grew—from 846 students in 1961 to nearly 3,500 in 1968, including 2,500 full time. The founder retired in 1968, the year Niche was accredited as a four-year college. The vice-president stepped up and immediately began an ambitious capital expansion, financed largely by loans.

But Niche began to lose students. By 1973, enrollment had fallen to 1,881 FTE. The loss in tuition revenue, operating losses occasioned by the capital expansion and associated programs, and the city's threat to sell the campus for disputed back taxes created both a financial and an image crisis for the college. Enrollment dropped 25.6 percent in 1974 and another 14.9 percent in 1975, to 1,190 FTE students. Total revenue dropped from $6.68 million in 1972-73 to $4.72 million in 1974 and to $4.47 million in 1975.

In short order, the president resigned, the academic dean (who had been in the post less than one year) was named acting president, and the trustees announced their intention to close down the college. But the acting president worked out a survival plan that the trustees accepted.

Trained in philosophy and with virtually no executive administrative experience, the acting president rallied the faculty and staff behind a cost-cutting effort that convinced the college's creditors that foreclosure was not in their interest. His appointment was made permanent.

In 1975-76, enrollment turned upward and showed modest gains for the rest of the decade, reaching 1,542 FTE in 1979-80. There have been no consequential operating deficits since 1974-75, and Niche College is now generally regarded as financially stable.

The Wheel of Fortune

The growth of Niche from a small business school to a junior college and then to a fully accredited, four-year liberal-arts college was the life's work of a strong and talented entrepreneur. Upon her retirement in 1968, a relative who had served five years as secretary of the junior college and two years as vice-president of the four-year college succeeded to the presidency. Associates saw him as a visionary, with grand ideas and vast energy but without strong consensus about a plan. He made decisions without free discussions among the faculty and without listening to the voices of realism and fiscal restraint in his administration.

Perhaps in an effort to forge quickly a clear identity for the baccalaureate college, as well as out of personal interest and academic conviction, this president sought to make Niche the major patron of the arts in the city. He bought a struggling but historic playhouse, established a ballet company on the campus, and supported the city's symphonic ensemble. He bought an estate in the countryside for the college and leased a campus in Switzerland. These ventures created both capital debt and operating losses.

Though persuasive in lining up loans for these worthy causes, the president did not ensure long-term support to repay the loans or fund the operating deficits. His relationship with the trustees was perfunctory. He was least communicative when difficulties arose, and the trustees apparently assumed that no news was good news.

In 1972, concerned about declining enrollment, the president spent $64,000 on a four-page, full-color supplement to major newspapers in the region. It reached 2.5 million readers and generated more than 500 inquiries about the college—but only one admission deposit.

All Fall Down

In the spring of 1973, the house of cards collapsed. The city announced its plan to sell the campus for back taxes of over $1 million. Niche had long disputed the tax claim. But bent on improving its bond rating, the city wanted the matter settled one way or the other. Press coverage of the tax issue, which was to be settled in favor of the college in 1976, was unsympathetic to Niche. Banks refused to extend further credit, and the college suddenly announced that it could not meet its payroll. The faculty petitioned the trustees to fire the president.

At a single meeting, the trustees accepted the resignation of the president, announced plans to begin closing the college, and asked the academic dean to preside over the dissolution. He had joined the faculty in 1966 and had spent two years as chairman of the philosophy department. But aside from his nine months as academic dean, he had no executive administrative experience. He accepted leadership, nonetheless, and began preparing a survival plan.

Bottoming Out

The faculty rallied behind the well-regarded acting president. All employees voluntarily complied with his plan to limit salaries to a maximum of $90 per week that summer. Within a few weeks, the trustees suspended their plan to close the college. Then began a continuing search for ways to cut costs in all areas. Lending agencies, more interested in eventual repayment than in foreclosure and soon convinced of the ability and commitment of the new president and the trustees, agreed to moratoria and new payment schedules.

The Red and the Black

By 1973, Niche had accumulated $900,000 in short-term debt to cover operating deficits. In four years thereafter, total expenditures exceeded total revenues; these deficits totaled $460,000. The deficits were caused in part by writing off a bad debt owed the college by one of the performing-arts groups. Another factor, beginning in 1976, was resumption of payment on the notes that covered the deficits incurred prior to 1973.

The college reduced expenditures primarily through efficiency measures in operations, attrition, and reorganization of personnel. In the early seventies, nearly a third of the college's employees were laid off. Costs for operating and maintaining the physical plant have been held approximately constant over the past decade, and institutional-support costs have been reduced to well below the average for a sample of 40 similar colleges. In the mid-seventies, a country estate and some downtown parking lots were sold, and the lease of a Swiss campus was discontinued.

The "acting" designation was dropped from the president's title in 1974, and he continues in office. He is perceived as a dedicated educator, an able planner, and one who sincerely cares about people. He listens, seeks advice, and gives constructive criticism. By defining Niche's mission as embracing both the liberal arts and career education, he has won the support of businesses in the area and foundations.

The president alters the organizational structure of the college in line with changing needs and priorities. In 1976, for example, he named a vice-president for enrollment planning. In the midst of severe cost-cutting, he invested in admissions and student affairs, believing that they were essential to survival. But when personnel cutbacks are necessary, attrition and reorganization are relied upon; layoffs are a last resort.

Meeting New Needs

Niche's enrollment recovery has been due primarily to increases in part-time and international enrollments, offsetting continuing losses of full-time and native students. Part-time adult enrollment, encouraged with evening and Saturday classes, has increased 300 percent in the past six years. Niche has begun to recruit internationally and offers a strong program in English as a second language. In 1982, Niche enrolled 420 international students, representing 40 countries.

Niche had always had fairly open admission, but attrition became a problem. So in 1975, admissions standards were invoked. Under them, some applicants have been rejected, but the college continues to admit a high proportion of applicants. For underprepared students, Niche provides academic-support services.

Niche's largest programs are in the performing arts, journalism and communications, business, and technology, and all provide work experience. Student welfare is considered extremely important, and the college's investment in student services is on the high side. (The president's organizational chart consists of concentric circles, with "students" at the core.) Three of the six areas in which Niche sought Title III funds in 1974 were admissions, career counseling, and nonacademic student life. One strong program is a day-care center for preschool children of students, faculty, and others in the college community.

Tailored Programming

Niche has academic departments in nine fields: behavioral sciences; business administration; accounting and computer science; education; English; journalism and communication; natural sciences and technology; social sciences; and fine, applied, and performing arts. After the crisis, some small academic departments were merged. The college has dropped majors in nursing, design, economics, and German. It has added several programs, including engineering technology, public administration, photography and multimedia technology, and visual arts and design. The last two are offered in conjunction with the city art institute. In 1977, Niche began offering a Bachelor of Fine Arts degree in dance and theatre arts and added a master's degree in journalism in 1981. A master's program in international business is planned. New offerings generally are outgrowths of existing programs, requiring few new courses but enhancing the ways in which Niche is distinctive with respect to other colleges in the area.

Niche's recovery has been marked by program innovations. They include the Saturday College, lunch-hour courses, and programs in early-childhood education and several technologies, the most recent being robotics. Niche was the first American college to offer a B.S. in computer science. The extent to which students gain working experience in the performing arts is also unusual.

The college has transfer arrangements with more than two dozen institutions in the area, including proprietary schools. It was actively involved in CETA training for a time but could not successfully integrate those very different programs and clients with the core functions of the college. The college also serves the community with noncredit courses in theatre and dance, export seminars, and computer workshops.

Niche employs 75 full-time faculty members (40 percent with doctorates) and many part-time. Despite some factors that might induce high turnover—the urban setting, other nearby colleges, past financial difficulties—Niche's full-time faculty tend to stay at the college. The part-time faculty often teach full time elsewhere or practice in the areas they teach. Quality of part-time instruction is not thought to be a problem. During the early 1970s, nearly one-fifth of the faculty had to be let go, including some who had tenure. These terminations were extremely hard on the individuals directly affected, but they do not seem to have had long-term negative effects.

Fine-Tuning the Future

The current administration believes in plans as living documents that are used to guide decisions and that are frequently reformulated. Through constant review and discussions of the meaning of the mission and possible future trends, the institution resists rigidity and complacency. Periodic long-range planning, often occurring before the term of the current plan is up, is thought to foster creativity and consensus, to encourage everyone involved to prepare for the future. The presence of trustees on the planning committee has been a catalyst for getting things done.

The constituent group in which Niche has probably invested the most energy in recent years is potential students. The college has also developed relationships with business and foundations. The alumni of the four-year college are still young and mobile; Niche is beginning to try to track them and kindle their interest in the college.

No Bed of Roses

The restoration of fiscal responsibility and the establishment of creative programs over the past eight years have impressed constituents favorably. However, the college's endowment value has remained at about $650,000 since 1973. The most recent borrowing for physical plant was in early 1973; the current capital debt is over $13 million. Payments on principal and interest were $249,000 in 1976, going up to $686,000 and $918,000 in 1979 and 1980. Niche reached agreements with lenders in 1975 and again in 1981 to extend the repayment period in order to bring payments to a fixed level the college could accommodate. A capital campaign of $2.5 million was started in 1982 to renovate the performing-arts facility. but most other fund-raising is aimed at covering current costs.

Commentary

Cutting costs drastically, resolving the tax dispute, and negotiating with creditors got Niche through the three worst years of its decline. The continuing search for ways to reduce costs has helped to keep the budget healthy and to inspire confidence in external constituents. One administrator observed that "the less we spend, the more our creditors and potential donors seem willing to help us out."

Much attention is given at Niche to mission definition, both conceptually and operationally. The president has convinced constituents that the college has a unique and important role to play in the city. The college focuses programming on that role, minimizing costs by trimming and reorganizing programs, cooperating with other institutions in the city, and dropping programs that prove not viable. It has also developed delivery and support systems specific to the needs of its clientele.

Something of a paradox is posed by the two lessons in leadership taught by Niche College's experience in decline and recovery:

The credentials that are likely to impress a presidential search committee are not necessarily those that make an effective president: management expertise and experience may not be critical to effectiveness. The president named in 1973 had virtually no experience in financial management, fund-raising, community relations, or personnel supervision. But he quickly learned a great deal about administration. At heart, he is an educator with a feel for academic institutions—what they are about and how they should be organized. He believes in the importance of Niche College and communicates his sincerity and dedication by what he says and by how hard he works. He uses what he hears and reads, as well as his understanding of academia, in a personalized kind of strategic planning. His priorities are, in order of importance, people, plans, systems, and execution. Although Niche has continued to change under his leadership, it has changed less dramatically than it did under the previous administration and in financially more responsible ways. Disruption has been minimized by the presence of this highly respected president, who provides a stable center for change.

Vision and entrepreneurship can bring a college to the brink of ruin if they are not tempered by financial wisdom. Nonetheless, the need for vision and entrepreneurship is clear. The 1968-1973 president may have met a real need of the college in allying its image with the performing arts specifically and the liberal arts generally. Niche probably needed to show dramatic evidence of its greatly changed mission and its capacity to serve city needs. The current president continues to invest considerable time in clarifying the mission and seeking new ways to serve. Niche might well be in trouble today if its chief executives had not differentiated it from the many other schools in town while demonstrating its ability to meet real community needs.

FIGURE 1

Total Full-Time and Total FTE Students (72-73 to 80-81)

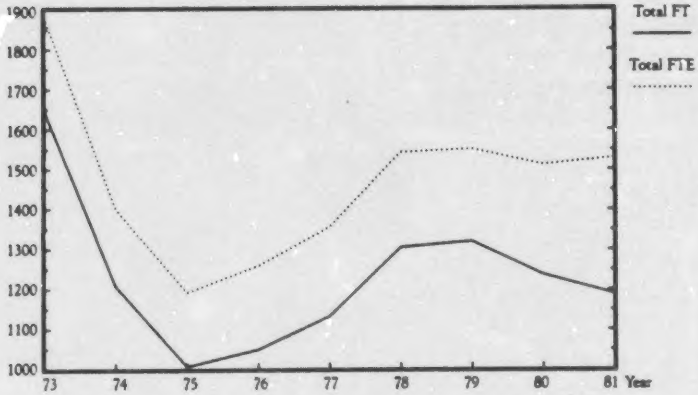
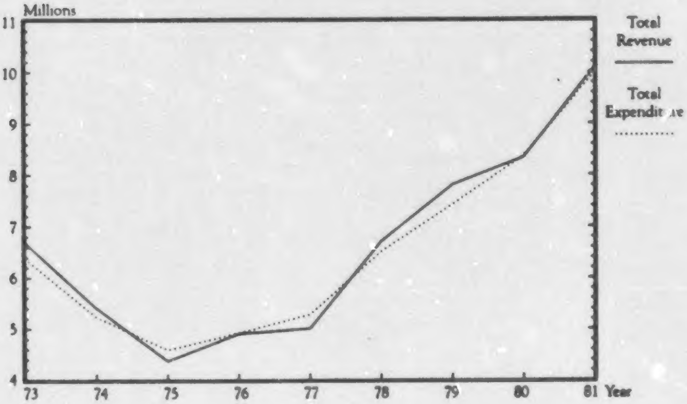


FIGURE 2

Total Revenues and Expenditures (72-73 to 80-81)



NICHE COLLEGE

FIGURE 3

Total Revenues and Physical Plant Indebtedness (72-73 to 80-81)

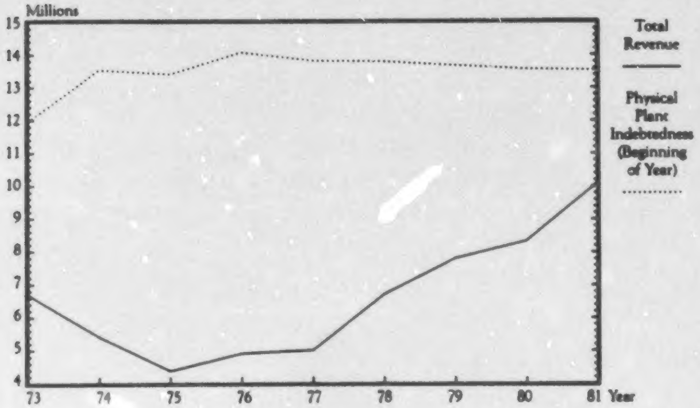
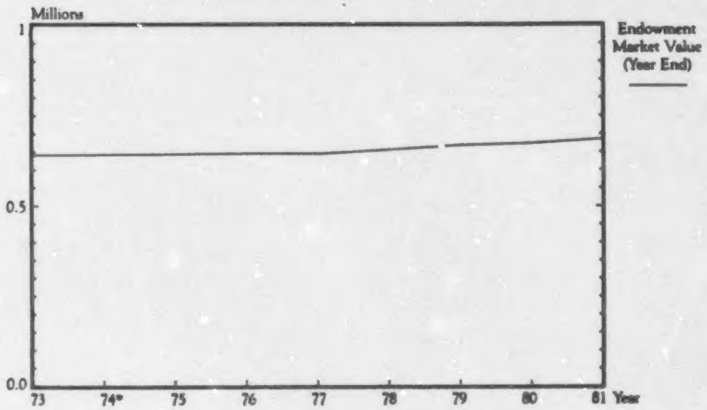


FIGURE 4

Endowment Market Value—End of Year (72-73 to 80-81)



*Endowment Market Value for 1974 is interpolated

NOTE: Data for Figures 1-4 are taken from the Higher Education General Information Survey (HEGIS).

Ryke College

Summary

This large, selective Protestant liberal-arts college is located in a prosperous midwestern city. Founded by missionaries in the last century, the college is firmly committed to the liberal arts, and academic excellence is a major mission objective. Ryke historically had drawn its students from within the state. In 1959, three-quarters of the 1,780 FTE students were in-state residents. A drive to recruit faculty with national reputations and attract students with high ability, heavily financed by a major benefactor, caused a brief dip in enrollment, to 1,500 in 1963. But by 1969, enrollment was up to 2,000. It stayed at about that level until a 12 percent loss in 1973-74 and a succession of smaller losses brought enrollment down to 1,580 FTE in 1976-77.

Ryke College was thrown into financial crisis because, beginning in 1968 with the installation of a new president, both the administration and the student body became heavily and visibly engaged in social activism. Enormous deficits were run up, apparently in the expectation that the philanthropist who financed the drive for academic excellence would foot the bill. But the public image of the college rapidly deteriorated, and the major contributor withdrew most of his financial support.

A new president was named in 1971. Four years later, however, the financial and organizational problems still had not been resolved. In 1975, Ryke College installed its third president in seven years and began the slow, taxing task of recovery. Ryke is now fiscally sound, though it is a substantially smaller institution than it was 15 years ago. FTE enrollment in 1981 stood at 1,635 FTE students—little more than the low point, 1,580, reached in 1977.

The Power of Philanthropy

Ryke College has a history of relating well to its urban setting, concern for social issues, and emphasis on the implications of internationalism. (Under its own auspices and through consortia, Ryke offers opportunities for its students to study abroad.) The college has long been oriented to academically able, full-time undergraduate students in the 18-24 age bracket.

During the 1950s, a multimillionaire with strong family ties to Ryke became heavily involved with the college. In 1961, the college decided to recruit National Merit Scholars across the country. It also began looking for nationally recognized faculty. A few programs that were peripheral to the liberal-arts curriculum were dropped. The benefactor funded most of these changes. As planned, Ryke became a highly selective liberal-arts college. Recruitment of faculty with strong academic reputations and a dedication to teaching was equally successful.

More than 50 colleges are located within a 30-mile radius of Ryke. However, successful recruiting of top students from around the country during the sixties carried enrollment above the 2,000 mark at the end of the decade. Numbers of well-qualified in-state students, including some whose parents had attended Ryke, could not gain admission. The proportion of in-state students, which stood at 75 percent in 1960, declined steadily thereafter, reaching 44 percent in 1982. The shift principally reflects Ryke's interest in diversifying its student body and maintaining competitive admission standards, rather than disaffection among potential in-state students.

The Power of an Idea

During the 1960s, the benefactor and his representatives were active in implementing the plans drawn up in 1961 to upgrade Ryke. They also played a strong role in the selection of a new chief executive in 1968. The next 30 months were to prove stormy. The new president's sole priority apparently was to involve Ryke in rectifying social ills. The cornerstone of that effort was a large, quickly launched program on behalf of minority students.

Eighty full scholarships, enough to support 15 percent of the entering class, were allotted to minority students. A substantial staff was hired to help meet their special needs. This abrupt change in policy and practice proved disruptive and ultimately unsustainable. The program was phased out in favor of efforts to recruit more able minority students, who today account for some 7 percent of enrollment. This is still well above the percentage of minorities in the regional population.

The president's interest in enrolling minority students and Ryke's portrayal in the press as a regional focus of student activism alienated some of the college's in-state constituency. Since the state is fairly conservative, education-oriented, and almost entirely Caucasian, the deterioration of image was inevitable.

Moreover, the tone of administration efforts in the name of social activism was provocatively consonant with student attitudes. At one point, Ryke students picketed a major corporation with whom good relations might have significantly benefited the college. There were numerous other overt indications of social activism at the college.

In the apparent belief that he had a personal mandate from the benefactor that included continuing, unquestioning financial support, the president spent college funds freely. But the benefactor became increasingly unhappy with the course of the administration and soon sharply curtailed his support. As a result, the college incurred a $5 million deficit in just two years.

In the spring of 1971, a crisis was obvious. Faculty and trustee action secured the president's resignation. His successor, who served until the end of 1974, made sizable cuts in personnel and budgets under a mandate from the trustees. But his style was not collegial: he communicated mainly with one other administrator. When the academic dean resigned, he served as his own dean for a time rather than appoint any of the recommended candidates.

A False Start

During 1971-74, as was true in the previous administration, the financial vice-president lacked authority and expertise and did not have the trustees' confidence. No effective system for controlling expenditures was in place. The ability of the institution to cope with the aftermath of the splurge of deficit spending was inhibited also by the successor president's self-imposed isolation. The faculty had no voice in retrenchment decisions, which over three years cost about 10 percent of them their jobs. Heavy staff cuts were made also. Nonetheless, the faculty is said to have maintained academic productivity and loyalty to the college during the years of financial uncertainty and organizational turmoil.

With an endowment of $30 million and total revenues steadily above $9 million each year in the early seventies, the economy measures instituted by the new president might well have put the college back on its feet. But in 1973-74, FTE enrollment suddenly dropped 12.3 percent, to 1,840. Total revenue (in 1973 dollars) fell to $8.6 million. Successive annual losses of 6.2, 6.4, and 1.9 percent in FTE enrollment were registered. And real-dollar revenue losses continued apace, dropping to a low of $7.6 million in 1975-76 and remaining well below the $8.5 million mark for the rest of the decade.

By 1973-74, the feeling that "we won't make it" was abroad in the college community. One observer recalls that "only the financial clout of the chairman of our trustees kept the bankers away." After the 1968-71 debacle, stringent cost-cutting could not keep ahead of the steady decline in revenue. The benefactor's confidence in the administration was still low, and the college had lost face with the public, alumni, students, and potential students. The road to recovery clearly would be long and dusty. Once again, circumstances demanded new leadership.

On the Road

In 1975, Ryke recruited the president who is still in office. He had been an urban school superintendent with important status in the metropolitan community. He is articulate in describing the mission and character of Ryke. He has strong administrative skills and exceptional ability to relate to people. It was to take him four years to deal with the aftermath of the social and political crisis of 1968-71 and the enrollment and financial crisis of 1971-74. But he did restore Ryke College spiritually and reorganize it for recovery, which was under way by 1979. The following are some of the highlights of this accomplishment:

- Building on some groundwork done by his predecessor, the current president was able to reestablish the benefactor's confidence in the college administration and persuade him to renew his financial support.
- The present financial officer has a background in economics and is well respected by faculty, other administrators, and trustees. During the sixties, the academic vice-president was a major factor in recruiting strong new faculty and played an

important executive role in College affairs. But from 1968 to 1974, the position lost its centrality and influence. The title was changed to academic dean and, as we noted, was left vacant for a time. Under the current president, the position has been reestablished as a vice-presidency, filled by a strong figure recruited from Ryke's faculty.

- Development of the operating budget is now an open, participative process. A president's committee, consisting of five faculty, two staff, and two students, critiques each year's proposed budget. The budget process includes cyclical zero-based reviews of line-item budgets.
- Past deficits have been funded, and no deficits have been incurred since 1975. Firm expenditure control has been established.
- Tuition increases had been kept low in the early seventies. By 1982, tuition at Ryke was at the midpoint on the scale of tuitions charged by members of the regional college association. Ryke plans to increase its tuition at a rate of about 2 percent higher than increases in the consumer price index.
- A five-year capital funds campaign, begun in 1979 with a goal of $26.5 million, had garnered $22.5 million in gifts and pledges by 1982. In addition, the value of the endowment increased $5 million during this period.
- The college has a major capital asset in its funding for merit scholarships to outstanding students, money that largely is provided by the benefactor. These scholarships allow Ryke to attract top students and reduce its relative dependence on federal aid to students.

In the local community today, the general attitude toward Ryke's financial condition is confident but realistic. Awareness of the need for fund-raising and for fiscal controls and spending restraints is strong. The enrollment picture is steadily improving and the institution has gained confidence from surviving a great difficulty and recovering its former stature.

RYKE COLLEGE

Mission Intact

Ryke still offers a Simon-pure liberal-arts curriculum. In the early sixties, it dropped nursing, medical technology, a major in physical education, and a few other programs not akin to the liberal arts. A proposal to reestablish the nursing program was hotly debated in the mid-seventies and finally rejected by the faculty. That decision seems not to be regretted today. The economics department has added a few accounting classes, but not a major in accounting. Student and faculty interest in computer science is growing, but its academic role is defined by the liberal-arts orientation of the college. New ideas about the curriculum are often considered and some are implemented—but always within the confines of Ryke's orientation to a classical concept of liberal-arts education.

Smarter, Calmer Students

In the seventies, declining enrollment forced Ryke to become less selective. SAT scores dropped off, and the admissions office shifted emphasis from selection to recruitment. With enrollment stabilized, the college is concentrating again on attracting able students. The SAT score average for entering students is now well over 1,100 and climbing. The admissions officer since 1979 is highly skilled in interpreting the college mission and adept at generating enthusiasm among prospective students. Recruitment publications are rated highly by other administrators. Applications from top students have been increasing. The minority-student program has been curtailed; such students accounted for 7 percent of enrollment in 1982.

Many students at Ryke see the liberal-arts curriculum primarily as a sound preparation for graduate or professional study. They seem not much concerned to evaluate its immediate postbaccalaureate vocational utility.

Although students at Ryke may seem liberal and activist within the context of regional attitudes, they are not markedly so by national standards. Demonstrations in the late sixties and early seventies were free of violence and in keeping with national campus trends. As with students nationally, their activism has been substantially modified in recent years.

Sterling Faculty

Ryke has retained a large proportion of the highly qualified faculty recruited in the sixties. About half of the current faculty came to Ryke in those years. Most faculty remain absorbed in teaching while maintaining individual reputations through scholarship and research. Several have received national awards.

In 1982, 80 percent of the faculty had doctorates and 74 percent had tenure. The administration has established a strong and constructive relationship with the faculty. This has been a significant asset in the recovery efforts.

Pillars of Strength

The current president sees Ryke's board of trustees as the prime mover behind the successful fund-raising of recent years. The trustees are mainly well-respected, well-connected people in the metropolitan area. Their membership on the board promotes confidence in the college and they are more actively involved in college affairs than trustees generally are. In the early seventies, when the trustees no longer believed the administration to be fiscally responsible, they did more than withdraw confidence. They stepped into the college management during the crisis, faced up to issues, and on occasion made tough decisions. And when the administration changed for the better, the trustees had the intelligence to step out of the management picture.

The leading role of the trustees in recent years has been to help the president restore lost constituent support. When the benefactor began contributing huge sums to support Ryke's self-improvement efforts in the 1960s, the feeling spread among alumni and other potential donors that the college didn't need more support. Since 1975, these constituents have been persuaded to become contributors again, thanks largely to the interpretive and interpersonal skills of the president and the efforts of trustees.

What's Ahead

Ryke closed its Office of Institutional Research in 1975 as an economy measure. But planning and budgeting still rely heavily on statistical information. External consultants were involved in a long-range planning effort in 1977-78 aimed at establishing the "cold facts" of the college's situation. The five-year financial plan that emerged assumes no nominal growth in state aid or in the several major student-aid programs. It aims to decrease dependence at Ryke on government funding.

Commentary

The experience of Ryke College shows that too much of a good thing is not always, as Mae West claimed, "wonderful." The great generosity of one constituent became a springboard from which the 1968-71 president launched the college without measuring the depth of the water below. The wisdom of the golden mean was forgotten, and no mean was to be found in the financial extremity that social activism precipitated. Nor could budget cutting alone stabilize the situation: the retrenchment president left the college worse off, if anything, than he found it. Ryke survived and recovered because it found a president who knew how to address the subjective problems in which the college had become mired and who understood financial realities. What Ryke had really lost was its image. That restored, the students Ryke wanted and the money it needed returned.

The lessons in Ryke's experience are several:

A college can succeed, even in today's vocational market, by being true to its historical liberal-arts mission. Ryke was not always solely devoted to the liberal arts. When that predominant orientation was sharply focused during the 1960s, a plentitude of students, a strong economy, and federal support made the bid for traditional excellence affordable. But with economic and attitudinal shifts in the 1970s, many such colleges have diluted or abandoned the liberal arts in a desperate search for students and dollars.

Even when it seemed that the college might have to close, Ryke reaffirmed its commitment to the liberal arts. Subsequent events have shown the wisdom of that decision: there *is* a market for the pure liberal arts. Ryke's ability to attract and retain academically able students is a key factor. These students are sophisticated enough to anticipate their interest in graduate and professional schooling and to understand the value of a liberal-arts education as a foundation for their long-term plans.

Too much change, too fast, harms a college. The vigorous attention to social issues and minority students in 1968-71, coupled with the administration's sudden lack of interest in academic matters and profligacy in financial matters, alienated virtually every college constituency—the benefactor, other donors, regional residents, alumni, and potential students from Ryke's traditional markets. The direction of change did have justification, since Ryke has always expressed an institutional concern about social issues. But the magnitude of ths rapid shift toward one aspect of the mission and away from another caused overwhelming problems.

The welfare of a college can depend on the actions of one or very few individuals. One president took Ryke to the brink of disaster. A handful of committed trustees not only kept it afloat but mandated and effected critical short-term survival measures. The current president is the hub for almost all of the successful recovery efforts, either through personal action or through the conceptual guidance and improved morale his leadership inspires.

The extent to which internal constituents are actively engaged in institutional efforts is partly a function of administrative leadership, and it is central to recovery. Internal constituents do not depend entirely on administrative leadership to inspire and motivate them to take action on behalf of the college. This is shown by the continuing commitment of the faculty through the difficult years, despite a leadership vacuum. Many faculty had come to the college only recently and perhaps were unwilling to jump ship so soon. Certainly they did not stay for a lack of alternative opportunities—these were among the most able scholars anywhere, who could find good positions even in a tight job market.

Faculty did more than stay. They continued to teach well and to do excellent scholarship and research in their disciplines. This helped keep Ryke's reputation and enrollments from slipping irrecoverably low.

FIGURE 1

Total Full-Time and Total FTE Students (72-73 to 80-81)

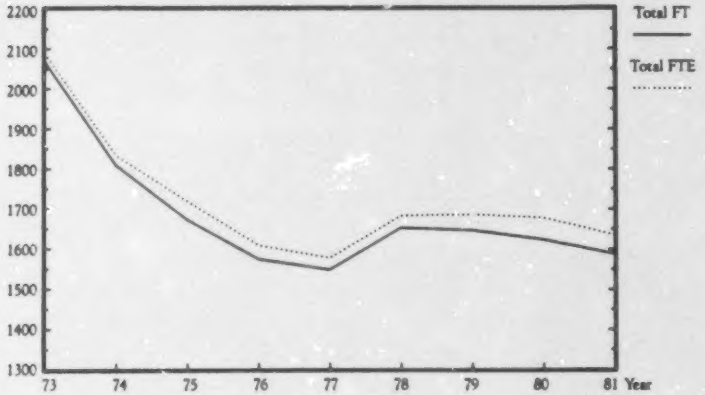


FIGURE 2

Total Revenues and Expenditures (72-73 to 80-81)

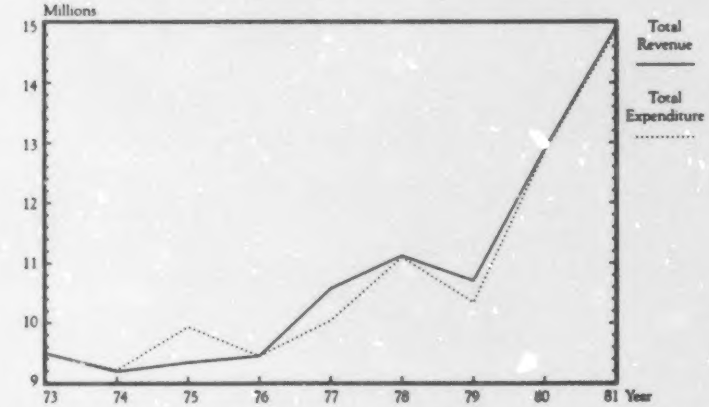


FIGURE 3

Total Revenues and Physical Plant Indebtedness (72-73 to 80-81)

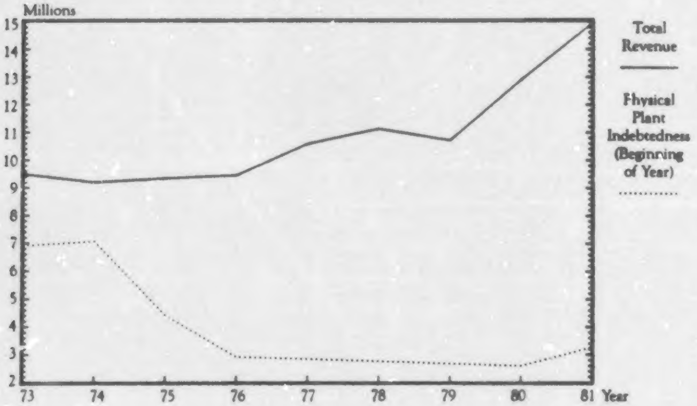
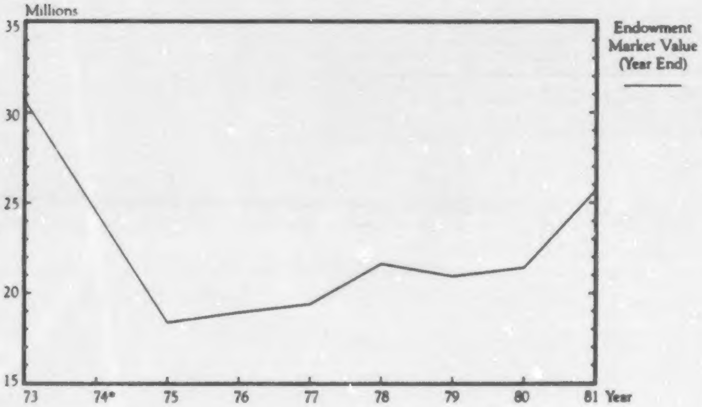


FIGURE 4

Endowment Market Value—End of Year (72-73 to 80-81)



*Endowment Market Value for 1974 is interpolated

NOTE: Data for Figures 1-4 are taken from the Higher Education General Information Survey (HEGIS).

Prairie College

Summary

Prairie is a highly selective liberal-arts college located in a small midwestern town, 170 miles from a major city. The college has a national reputation as a liberal-arts stronghold. It is well endowed. Student costs are high ($7,700 for tuition, room, and board in 1981), but two-thirds of the students receive financial aid. The curriculum has changed over the years to reflect advances in computer science. And in cooperation with a famous medical school, Prairie has established a first-year medical program that concentrates on the basic sciences. Beyond that, the college has made no effort to accommodate students interested in vocational preparation. A high proportion of Prairie's graduates pursue advanced study; many follow academic careers.

Enrollment stood at 900 FTE in 1959 and grew steadily through the next decade, reaching 1,400 FTE in 1970. Expecting enrollment to reach 1,800, the college overbuilt. Enrollment then began a steady eight-year decline, reaching 950 FTE in 1977-78. It has remained stable since.

Prairie's president from 1949-1973, a highly respected educator, was not astute financially. The college had operating deficits in 12 of his 24 years in office, including a $480,000 deficit in 1971-72 and a $250,000 deficit in 1972-73. These deficits totaled $3.5 million; borrowing from the endowment, which began in the Depression years, totaled $4 million. Capital construction in anticipation of enrollment increases in the seventies was financed with $10 million in loans; no funding campaign was conducted.

In 1973, the president died. The new president, while primarily a scholar, had experience in fund-raising. He proved also to be an excellent communicator and administrator, bringing the budget into balance in 1974-75 and incurring no deficit in four of the next five years. This was achieved through firm budget control, cost cutting in nonessential areas, a capital campaign, refinancing of old debts, endowment building, and increased annual giving. Faculty salaries, library resources, merit scholarships, and other expenditures directly related to achieving the college mission were protected from budget cuts. The admissions office was strengthened in this period to recruit able students.

The college is smaller today than it was in 1970. But it has maintained high academic standards while achieving a financial stability it had not really known in the fifties and sixties.

Single-Minded Excellence

Prairie College, founded in 1837, has long been known for a liberal-arts education of high caliber. Noted literary figures have been associated with Prairie, and the college has a traditional commitment to human rights. The loss of enrollment that began in 1970-71 is attributed to the college's rejection of "creeping careerism." Despite serious financial difficulty in the seventies, the college reinvigorated its liberal-arts curriculum. When its reputation alone was no longer a sufficient agency to attract an [illegible] supply of students of high ability, Prairie invested in recruitment so that it could maintain its admission standards. The college overestimated the potential demand for its brand of education in the seventies. But it comprehends its mission with absolute clarity.

About two-thirds of Prairie's students are in-state residents. A large proportion come from the suburbs of a major city across the state. Competition between a number of quality-minded colleges in the region increased in the early seventies, in line with a national trend that saw 25,000 new places created in selective liberal-arts colleges between 1969 and 1975. The flagship campus of the state university, where price is the primary attraction, is the first alternative choice of most Prairie applicants. But they also consider a number of small private colleges throughout the Midwest. Two-thirds of Prairie's students receive some measure of financial aid, and the college regards student aid as crucial to maintaining standards.

The Golden Decade

Prairie's president from 1949 to 1973 restored the national reputation that the college had enjoyed early in this century. A fatherly autocrat, he became a leader in higher education nationally during the sixties. Meanwhile, Prairie was growing steadily, from 900 students in 1959 to 1,400 in 1970. The president, convinced that the college would grow to 1,800, began construction of facilities to accommodate that further growth, using borrowed funds. To attract and keep faculty with high qualifications, Prairie provided salaries that were among the highest in its regional association.

The president did not have a flair or liking for fund-raising, although he did elicit important deferred bequests to the college. He began to travel a great deal on behalf of national higher-education associations, and a sense developed on campus that no one was at the helm. In 1972, representatives of the college community met with the president and asked him to curtail his travels. He agreed to do this.

Construction on the campus in the late 1960s and early 1970s doubled existing classroom and office space. But this created a capital debt of $10 million—and the expensively anticipated enrollment growth did not materialize. In fact, enrollment started downward after 1970, and Prairie was to lose in the seventies virtually all the enrollment it had gained in the sixties.

A Time of Reckoning

By 1972, the president had become concerned about the unexpected drop in enrollment. The trustees were alarmed by a $480,000 deficit in 1972, and they were not comforted by the $250,000 deficit in 1973. They still were not fully apprised of the financial condition of the college, however. The trustees were capable and dedicated to Prairie, but they had little to do with management or with fund-raising.

The unexpected death of Prairie's president in 1973 forced major issues to the surface. The recently retired academic dean was recalled to act as president while the college searched for a permanent successor. The acting president immediately initiated a long-range planning process providing for wide participation within the college.

A search committee chose for the presidency a liberal-arts scholar who, as a faculty member at other institutions, had been heavily involved in successful fund-raising efforts. He made himself highly accessible on campus and had the gift of putting people at ease. He served on the steering committee for the new long-range planning process, thus immediately involving himself in a highly participative assessment of Prairie's purposes and prospects.

The final report of the steering committee emphasized that the college had to choose between size and mission. Continuing as a traditional liberal-arts college meant risking a continued decline in enrollments. The committee favored taking that risk. To minimize the effects of continuing enrollment losses, it recommended improving admissions procedures and staffing, strengthening alumni relations, providing career-planning counseling, providing multidisciplinary coursework for freshmen, and other changes.

Balancing Act in a High Wind

Meanwhile, the new president confronted a bleak fiscal situation. Enrollment dropped nearly 13 percent in 1973-74, to 1,175 FTE. (At Prairie College, full-time students have always constituted virtually the entire enrollment.) The operating deficit was held to $76,000, mainly because a tuition increase kept tuition income even with that of the previous year. Expenditures had been slashed almost $1 million in 1972-73, principally by reductions in student aid and grants. These reductions were continued in 1973-74.

The new president explained the financial condition of the college to the trustees in frank terms. They responded by helping him mount a successful campaign for funds. The trustees have since been increasingly supportive of the college, both financially and through the exercise of leadership.

The full extent of the financial problem the new president inherited was not widely known in the college community. This helped keep morale at a reasonably high level throughout the recovery years. There was never a hint of panic.

In constant-dollar terms, total revenue declined from 1973 through 1975 and then leveled out for three years. The impact of inflation caused a dip in constant-dollar total revenues in 1978-79: in current dollars, total revenue dropped only $40,000 from 1978, but total expenditures increased $733,000. The result was an operating deficit of $200,063. In 1980 however, a $81,000 surplus was achieved.

Cost cutting was concentrated in the area of institutional support. Efficient changes were made in the structure of staffing in student-health services. Using student office help proved economical. Management of auxiliary enterprises was characterized by one observer as "superb."

In 1972, retirement benefits were reduced. In 1973, faculty salaries were frozen, and only token increases were given the next year. Salaries have since risen to be on a par with those typically paid by similar colleges in the region, and fringe benefits have been increased.

Annual payments on the $10 million capital debt ran to $500,000. In 1979, however, the college took advantage of a new provision in the law to issue tax-exempt bonds and consolidate its physical-plant debts, reducing the annual payment.

Ask and Ye Shall Receive

Prairie's endowment, valued at $12 million in 1972, stood at $19.2 million in 1980. A relatively high proportion of the endowment had been invested in real estate, and some of these properties were sold during the seventies. A capital-funds campaign, begun in 1975 with a goal of $12 million, raised $13 million in four years. Thirty percent of the funds were realized bequests arranged under the previous administration—including a single bequest of $2 million from an alumnus who had become a trustee.

Maintenance of the physical plant was reduced severely in the early seventies but has gradually been increased in recent years. Deferred maintenance is neither a financial nor an aesthetic problem. Three old buildings on the campus were in unusable condition but had historic and symbolic value. The college sold one of them for $1 to a developer who restored it for use as private residences. This arrangement had a highly negative public-relations impact. The college restored one of the other two old buildings itself and has not decided what to do about the third.

A program of state aid to private institutions brings Prairie about $125,000 a year. And state aid to students attending private institutions helps them cope with rising tuition. During the early seventies, tuition increases were kept low. They accelerated in the late seventies as inflation pressure increased. In recent years, the rate of increase in tuition has more than kept pace with inflation, and student tolerance of these increases has been surprisingly good.

The current status of financial aid to students at Prairie College is considered confidential by the administration. A college document made public in 1976 reported that total financial aid to students stood at $1.6 million that year, with $650,000 being provided from institutional sources. In 1977, state financial aid went to half of Prairie's students and totaled $675,000. Prairie now offers merit scholarships of $2,000.

No Brain Drain

Admission standards may have slipped slightly in the early seventies. But faculty now regard current students as equal in ability to any the college has had. Student retention is better than that of any other college in Prairie's regional association.

Enrollment of international students has risen considerably since 1978, more through informal peer recruiting than because of particular efforts by the admissions staff. Foreign students now constitute 9 percent of Prairie's student body. They are bright, and few have problems with English severe enough to interfere with their full participation in college life.

In 1974, in response to increasing student concern about postgraduate employment, Prairie established a career-planning center, which has been well received. Interest in professional careers predominates. About 40 percent of Prairie's graduates go immediately into advanced study, and 80 percent have done graduate work within five years.

Old Wine in New Bottles

No academic programs were discontinued at Prairie during the recovery period, and classical studies, which had been dropped earlier, was reinstated in 1976. But the curriculum was not neglected while the college contracted.

Computer science was incorporated in the mathematics program in the early seventies, and computer literacy has been a required skill for all students since 1976. In 1973, in conjunction with a famous medical school, Prairie began offering the first-year curriculum for medical students. The concentration is on basic science. Prairie undergraduates may take these classes, and some of them have been accepted at the medical school.

The reassessment of Prairie's mission and curriculum in 1974 led to a renewed commitment to general education. Values seminars were established, and a multidisciplinary core course for all freshmen was developed with the help of foundation grants. Proficiency in a foreign language is still required. The predominant themes of the curriculum are internationalism and interdisciplinary studies. The college offers two programs of year-long study abroad, in cooperation with European universities. It also has a number of cooperative programs through which students may study at major research centers and universities in this country and at institutions in nine foreign countries.

PRAIRIE COLLEGE

Faculty Quality Intact

Ninety percent of the faculty at Prairie have doctorates; nearly all teach full time. A strong teaching orientation is traditional at the college, but scholarship has received greater emphasis in tenure and promotion decisions in recent years. Funds for faculty travel and secretarial support have been increased, and sabbaticals encourage scholarship and research.

In the mid-seventies, three-fourths of the faculty had tenure and nearly 60 percent were in the upper two ranks. The college initiated an early-retirement program and increased the probationary period for junior faculty from six years to eight. The tenure rate has dropped somewhat since then. There have been no faculty cutbacks, but on occasion the replacement of departing faculty has been delayed. Replacements are more likely now to be at junior levels.

Professionals in Place

Since 1974, a number of administrative areas have gained in personnel, budget, or both. They include development, admissions, public relations, grounds, accounting, and the library. Admissions, financial affairs, and development have received particular emphasis and are credited with important improvements. The major change has been in the professionalism of incumbent administrators and staff: their predecessors had significantly less training and experience in the functions they were asked to perform.

The admissions office had been staffed with young people who were thought to relate well with prospective students. There was high turnover in these positions. Both in the admissions office and in the college at large, the attitude toward potential students remained one of selection rather than recruitment, until the office was restructured and restaffed in 1980.

The new admissions director has staffed the office with professional admissions counselors, and he has seen to it that they can answer questions for students and parents accurately and quickly. Financial aid is now part of the admissions office. Admissions publications and information processing have been improved.

The present chief business officer is well qualified and well organized. His dissertation dealt with financial health in small private colleges, and he expertly analyzes financial data at Prairie to support management decisions.

The development staff has been increased and is now led by a Prairie alumnus who had been a successful development officer at a major private university. The president plays a major role in fund-raising. Success in this area has been important in relieving pressure to keep enrollment targets and tuition levels unrealistically high.

Alumni were not regarded as a development constituency at Prairie until the 1970s. Annual giving has more than doubled in recent years but has reached a plateau. College administrators discovered through the capital campaign and annual giving program what they believe to be the ability of alumni to give to the college, and they look to this constituency for untapped major gift potential.

Commentary

A key factor in recovery at Prairie College was the reduction of dependence on tuition revenue. This was done by increasing annual giving, carrying out a successful capital-funds campaign, refinancing old debts, and building the endowment.

Most of the lessons of Prairie's experience are plain enough, and most of them are confirmed by the experience of the other colleges included in this study.

Enrollment growth creates administrative responsibility to provide equivalent growth in organizational capacity, particularly the capacity for informed foresight. A respected and well-meaning president with an upward-and-onward outlook demonstrated the folly of reaching beyond what can be grasped. Prairie College did not plan enrollment increases in the sixties and did not adjust to them in any comprehensive way. The expectation of further growth was a simplistic extrapolation from a little-understood trend in the recent past. Recovery was achieved by good planning, good management, reaffirmation of purpose—and rejection of the notion that growth in itself was good.

Trustees were complacent when they should have been vigilant on principle. The new president kept the institution essentially intact and fully dedicated to excellence by doing what had long needed doing at Prairie College.

The external forces that reduced enrollment at Prairie were largely unforeseeable. The end of the military draft, a prolonged economic recession, and a consequent shift in student interest toward vocationalism could not have been credibly predicted when the decision was made to build for growth at Prairie. What was preventable was the extent to which optimistic decisions mortgaged the future of the college for many years to come.

Had construction been financed by fund-raising, and had the burden of capital debt not been made heavier by an accumulating operating debt, Prairie College would be in a significantly better position today. And it is clear now that the potential for successful fund-raising, both for capital construction and to build endowment, was there all the time. But the father-figure president disliked fund-raising. And for a long while, he saw no great danger in incurring operating deficits.

FIGURE 1

Total Full-Time and Total FTE Students (72-73 to 80-81)

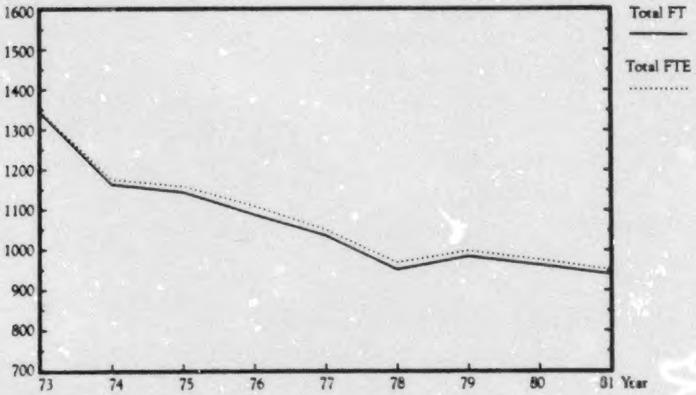


FIGURE 2

Total Revenues and Expenditures (72-73 to 80-81)

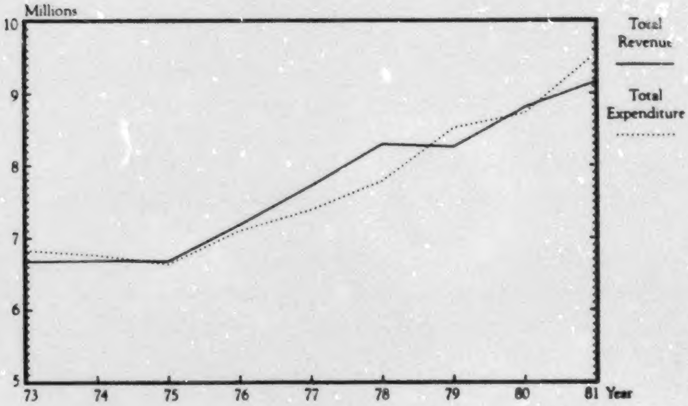


FIGURE 3

Total Revenues and Physical Plant Indebtedness (72-73 to 80-81)

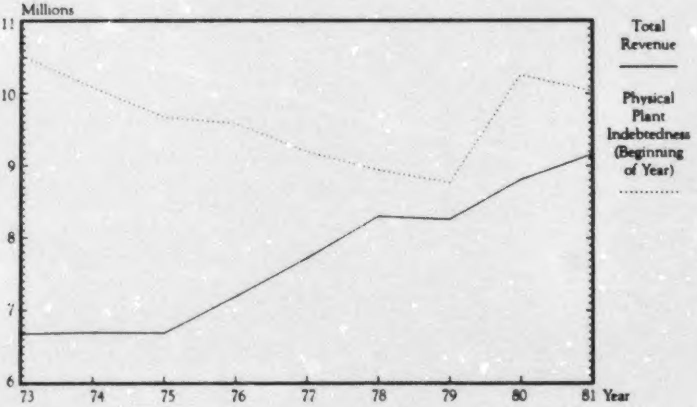
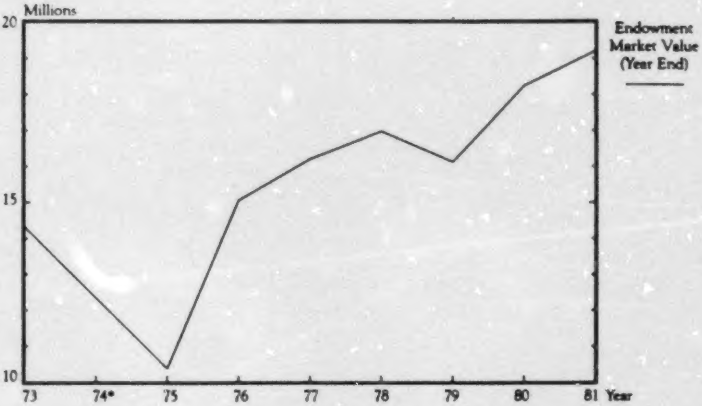


FIGURE 4

Endowment Market Value—End of Year (72-73 to 80-81)



*Endowment Market Value for 1974 is interpolated

NOTE: Data for Figures 1-4 are taken from the Higher Education General Information Survey (HEGIS).

Enterprise College

Summary

Enterprise was established before the Civil War by a Protestant church, as a two-year seminary for young women. It became a four-year liberal-arts college after World War I. It has remained a women's college, moderately selective, attracting students primarily from well-to-do and wealthy families.

Enterprise was quite small until the sixties, when enrollment nearly doubled. Enrollment totaled 376 FTE in 1959, 711 FTE in 1966, and above 700 through 1972. It then declined modestly over the next three years, to 645. In 1976, however, it fell 16 percent, to 542. Rumors that the college might close probably caused the decline. But the loss of students did not cause the college's mounting financial difficulties.

The problem was deficit spending, beginning in 1970. By 1976, operating deficits totaling $390,000 had accumulated. In addition, $500,000 in realized endowment gains and $500,000 from the proceeds of a capital-funds campaign had been diverted to cover operational expenditures. Endowment and gift income together

counted for less than 10 percent of the operating budget during most of those years, while tuition revenue accounted for at least 60 percent. Tuition revenue declined more slowly and not so steeply as enrollment.

The seeds of difficulty were sown in the sixties: the faculty was enlarged more than enough to keep pace with enrollment, and a $3 million physical-plant debt was incurred to expand facilities. But the endowment remained at around $2 million, and gifts totaled $250,000 a year or less.

The president installed in 1969 did nothing effective to build a larger financial base for the college or to balance revenue with expenditures. When yet another deficit was projected for 1974-75, the trustees became actively concerned. A comptroller and an executive assistant to the president were added to the administration, the president bowed out, and an interim chief executive presided for a year.

The woman named president in 1976 confronted another projected operating deficit. She also had to deal with potentially negative consequences for Enterprise that were threatened by the imminent closing of a small college with an adjacent campus. She swiftly demonstrated leadership qualities as well as good business sense. She asked the trustees to disapprove the proposed budget and to approve the sale of the college's presidential residence. Then she persuaded a wealthy alumna to make a large contribution toward the purchase of the adjacent campus for Enterprise—an investment in the future that greatly improved the public image of the college. And despite a substantial increase in the cost of operating and maintaining the enlarged physical plant, the new president held expenditures in balance with revenue in her first year.

During her administration, enrollment has risen to more than 800 FTE students, recouping all the losses of the seventies and adding 140 FTE enrolled in an off-campus adult-women's degree program. The endowment has quadrupled, annual giving has tripled, and income from grants and contracts has become significant. New budgeting procedures and the elimination of wasteful practices have cut costs and improved staff productivity. Faculty salaries have been improved, and faculty participation in decision-making is on the increase.

In all major respects, Enterprise College is a stronger, more viable institution than it was during the sixties. The college community attributes recovery and new growth unreservedly to the president who took over in 1977.

Halls of Ivy

Enterprise College is set in a rustic corner of an area whose cultural and historical roots reach back to the earliest colonial days. The neoclassical lines of the 30-odd buildings on the idyllic campus aptly signify the traditions of this venerable institution. Most of its students come from families well able to afford the cost; in one out of four cases, the family income is greater than $100,000 a year. Forty percent receive financial aid, some of it provided by a state program. Most of the students are drawn from a 10-state region; 40 percent are in-state residents.

The state university nearby is not a serious competitor, partly because the college's church affiliation and campus religious activities are a draw for a good many who enroll at Enterprise.

No Growing Pains

Enterprise had no experience with real growth before the sixties. But the increase in enrollment from 376 FTE in 1959 to 711 in 1966 did not create serious stresses and strains, at least none that were immediately apparent. As the student body grew, the faculty was increased somewhat more than necessary, and the campus was expanded steadily. Enrollment stabilized in the latter sixties, and the institution as a whole seemed stable when the president stepped down in 1969. But the retiring president had not increased the endowment in keeping with enrollment and faculty growth, and he was not replaced by someone adept at fund-raising.

His successor tended to avoid problems, to do things as they always had been done, and to deal with others paternalistically. Enrollments remained stable, and tuition increases did not keep up with increases in operating costs. The size of the faculty added to budget problems. Physical-plant debt reached $3 million in 1972, requiring annual debt-service payments of $140,000—a figure more than double that for endowment income.

Four operating deficits were incurred between 1970 and 1975, totaling $390,000. Moreover, $1 million was deferred from endowment and capital giving to meet shortfalls in operating revenue. In 1973, the administration produced a bleak five-year financial forecast.

Too Little, Too Late

The president closed the college's two overseas campuses to reduce costs and made some difficult faculty-reduction decisions. He also initiated a capital-funds drive, with a goal of $7 million by 1977 and $10 million by 1980. He became so preoccupied by fund-raising efforts involving travel that in 1974, the trustees directed him to hire an on-campus executive assistant. When he resigned in 1975, he had raised less than $1 million, all of which was applied to the accumulating operating deficit.

In the interim year, enrollment skidded to 542 FTE, an unmistakable sign that the college was in deep trouble. Rumors of its demise gained credibility with potential students, and no progress was made financially.

ENTERPRISE COLLEGE

About Face

The trustees chose as the new president a woman with extensive administrative experience at financially troubled institutions, first at a large and prestigious liberal-arts college and then at a large public university. She has a degree in administration, and her management skills are complemented by forthrightness and decisiveness as well as keen judgment about how to capitalize on opportunities. By enthusiastic consensus, she is accorded virtually all of the credit for saving and revitalizing the college.

First she made it clear that the college would thereafter live within its means. She asked the trustees to disapprove the deficit budget for 1976-77 that she inherited and showed determination to put the college in the black. She explained the financial facts of life to the faculty and staff, convincing them that they should help find ways to cut expenses. She initiated a control system for long-distance calls and stopped the practice of providing staff with free lunches. At the end of her first year, a $100,000 surplus was posted.

The new president was entitled to reside in an elaborate, expensive-to-maintain residence owned by the college. Instead, she recommended that the trustees approve the sale of the property, thus demonstrating her willingness to be personally bound by the economy discipline she was enforcing throughout the campus. On the other hand, she regarded the impending closure of the adjacent college as a capital opportunity. Amid rumors that the land might be acquired for uses that Enterprise would regard as highly undesirable right next door, she found the money to buy it. The $1 million came partly from a gift by a wealthy alumna and partly from resale of a part of the acquired land to a local community group. The acquisition scotched the rumors that Enterprise was moribund and also proved to be a sound investment. Maintenance costs have been held to a minimum, and plans are being developed to renovate some of the buildings to meet increasing needs for space at the college.

Jackpot

By 1978, enrollment was up to 585 FTE, and in the following year, it leaped nearly 22 percent, to 710—the level of the sixties. Part of the increase resulted from establishment of a degree program for adult women in a large city 100 miles from the campus. The faculty at first was concerned about quality of instruction. Academic management of the program was thereupon turned over to the faculty, which has made all policy decisions and exercised continuing oversight. The program now has 140 FTE students and already has graduated close to 100. The faculty is well pleased with the quality of both students and programs. Moreover, the venture produces income for main-campus operations.

However, the increase in enrollment has not been the primary means of putting Enterprise on a sound financial footing. In fact, reliance on tuition revenue has been substantially reduced; tuition accounted for nearly two-thirds of the operating budget in the early seventies but for less than half of the budget in recent years. This has been possible mainly because annual gift income has more than doubled and the endowment has quadrupled. Income rose from $2 million in 1974 to $8 million in 1982, and endowment income now accounts for 9 percent of total revenues. Grants and contracts, which produced virtually no income prior to 1977, totaled $623,000 in 1980 and have been established as a significant, continuing source of income. In addition, the $10 million capital-funds campaign begun in the early seventies has been completed.

Seek and Ye Shall Find

The financial success of the college derives mainly from the president's cultivation of foundations and her ability to stimulate interest in the college among its alumnae, some of whom have great personal wealth. In 1976, only 17 percent of the alumnae contributed to the college. In 1981, Enterprise led the nation's colleges for women in increased alumnae giving. Alumnae have become trustees and increasingly participate in college activities.

The current president also created a new constituency for the college—executive officers of major corporations across the country. The college solicits their advice, sends proposals to their foundations, and invites them to give regular seminars to business students at Enterprise. These efforts have created great good will among the executives and gained important direct support through their donations of time, money, and expertise. The president also puts a lot of time into direct foundation contacts.

Enterprise restructured its relationship with the founding church in 1965 to become more independent. But the church has continued to be well represented on the board of trustees. In recent years, the board has been strengthened by the addition of a number of corporate executives and wealthy alumnae, and it is said to represent an "incredible" asset in terms of ability, wealth, connections, and concern for the welfare of the college. The current president's opposition to deficit spending from the moment she took office won the board over, and the trustees have firmly supported her administration ever since.

She was not so well received in the town at first. Local businessmen and leading citizens, little experienced in dealing with professional women, were taken aback by her forceful style. And when she insisted on competitive bidding to supply the college with goods and services, she alienated a number of individuals who had long received the college's business as a matter of course. Her success has erased most of the negative feeling, however, and town-and-gown relations are now quite good. Enterprise makes many of its facilities available to the community, which makes substantial use of them.

Changing with the Times

Financial recovery at Enterprise has been accompanied by important, though never radical, changes in academic programs. In 1974-75, a major faculty study led to more interdisciplinary courses, competency-based grading, no specific course requirements, more concentration on experiential learning, and reorganization of academic departments into five divisions. Only three liberal-arts majors have been eliminated—German, educational psychology, and psychological services. Majors have been added in business management (which now enrolls 20 percent of upperclasswomen who have declared majors), arts management, social work, and mass communications, and a computer-literacy component is offered. All these new programs include strong liberal-arts requirements, with two good effects: (1) liberal-arts offerings are maintained for their educational merit, rather than depending on popularity with students, and (2) it satisfies both faculty and alumnae expectations that Enterprise will remain committed to its traditional mission of liberal-arts education.

The strength of the college's academic programs and faculty is reflected in gains not only in enrollment but also in retention. Fifty-three percent of the class of 1977 graduated in four years; the proportion was 61 percent in 1981. Admission standards declined in the seventies, with average SAT scores of entering freshmen dropping 120 points. Reversing that trend is a priority concern of the current administration.

Exceptions Taken

The faculty view of decline and recovery at Enterprise is somewhat equivocal. Since 1976, a cap of 54 FTE faculty has been imposed. All program change must be accomplished within that number and through limited use of adjunct faculty (who now do about one-quarter of the teaching). In 1977, the new administration set a goal of 60 percent for the proportion of faculty who may be tenured. The faculty opposed this. But the policy has not created trouble, and the current tenure rate for full-time faculty is only 52 percent.

During the years of financial stress, decisionmaking became fairly centralized at Enterprise, creating further faculty discontent. A new academic dean was appointed in 1982, and the faculty is hopeful that decisionmaking will become more participative.

More than half the faculty hold terminal degrees in their fields, but most feel captive at Enterprise, in view of the generally depressed market for college teachers. Despite this and other lingering eddies of dissatisfaction, the faculty is notably loyal to Enterprise and genuinely grateful to the current president for having secured the survival of the college. In addition, they have directly benefited: salary increases for faculty averaged only about 5 percent a year from 1972 through 1979, but since then increases have averaged 10 percent a year.

A Tight Ship

Under the current president, the administration of Enterprise has been extensively overhauled. Only the registrar remains from the previous administration. New people were named to head business affairs, development, and student affairs. All are experienced professionals in their fields. The business officer has been exceptionally effective; skilled in financial management, he also has shown keen understanding of the substance and processes of academic life and purposes.

The endowment is managed by a professional investment counselor, whose decisions have enabled the endowment to perform better than the Standard and Poor's index. He works closely with trustees who are themselves investment professionals.

The current administration has improved computing capacity and makes far greater use of data and analysis in management than former administrations have done. The administration now uses planning models, on the order of the EDUCOM and NACUBO models. A goal now is to develop market research, especially with reference to students and donors.

In the past, little budget control was exercised at Enterprise: expenditures were charged to whatever account had enough money to cover them. Accounting is now precise. Budgeting also has been reformed. Zero-based budgeting is used for program areas, such as laboratory sciences, that typically have high annual capital needs. All capital purchases, down to calculators, have been taken out of divisional budgets so that such funds do not inadvertently become part of budget bases. And when enrollment prospects are uncertain, alternative budgets are prepared on the assumption of an increase, a decrease, or no change in enrollment. When enrollment figures are known, the appropriate budget is brought forward.

Commentary

Most of the lessons inhering in the experience of Enterprise College with decline and recovery are confirmed, some of them often, by the experience of other colleges covered by this study. Enterprise was not unique in discovering that a drop in enrollment may reveal problems that it did not cause. The fact that experienced, well-trained, talented management can do worlds to save money in the aftermath of poorly administered growth certainly occasions no surprise. At Enterprise and elsewhere, we see demonstrated the value of symbolic acts—in this case, the purchase of the adjacent campus in the midst of a financial crisis—in refurbishing the public image of a troubled institution. More than one school has found that it can identify and attract new constituents, both to build enrollment and gain valuable support. Finally, Enterprise and similar institutions have discovered that wealthy alumni and friends had not made substantial contributions only because they had not been asked. From an academic standpoint, Enterprise is one of many schools that have found ways to modernize curricula without destroying traditional commitments to liberal-arts education.

What is singular in the experience of Enterprise is a matter of epitome:

> **Here most clearly, most unequivocally, recovery was the work of energetic and courageous executive leadership.** The point is not that it took a woman president to save a women's college. She did nothing that a similarly capable and imaginative man could not have done, and one does not hear her cited at Enterprise as a glowing example of what a woman can accomplish.
>
> She impresses colleagues with her ability to develop and maintain a critical perspective and with her conceptual skill. She is adept at matching people and ideas in imaginative and productive ways. A no-nonsense manager, she requires top performance of everyone and insists on strong financial control at every organizational level. The president finds and attracts able individuals to key administrative posts. Her verbal and persuasive skills can carry even an inherently skeptical group along with the point of view she is expressing.
>
> It is worth noting that this president spends most of her time with constituents external to the college. She has never involved herself in academic matters except to get the adult degree program under way and to encourage development of the business management program. Her administrative role is largely confined to ensuring continued competency of other top administrators and making sure that the budget is sound and under control. In all internal areas, she emphasizes quick responses to early warning signals, shifting plans as need be to avoid short-term problems that could become long-term. Most of her personal attention has been given

to improving the membership of the board of trustees and on building relationships with alumnae and corporate executives.

She is able to do this because she has built a highly effective team to run the college day to day and she doesn't breathe down necks. Her expectations of excellent performance begin with herself. At times she may be praised by colleagues at Enterprise College with faint damns—but never the reverse.

FIGURE 1

Total Full-Time and Total FTE Students (72-73 to 80-81)

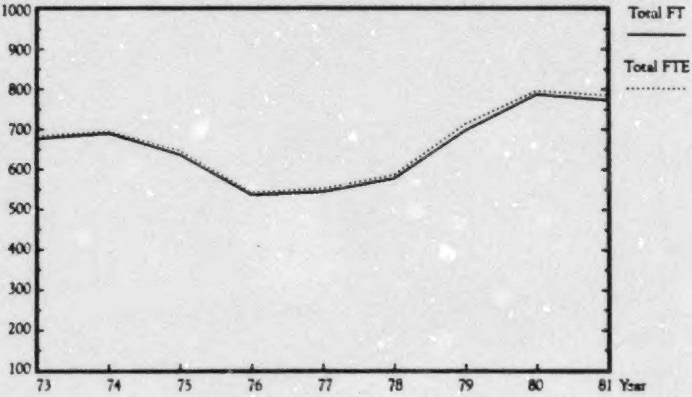


FIGURE 2

Total Revenues and Expenditures (72-73 to 80-81)

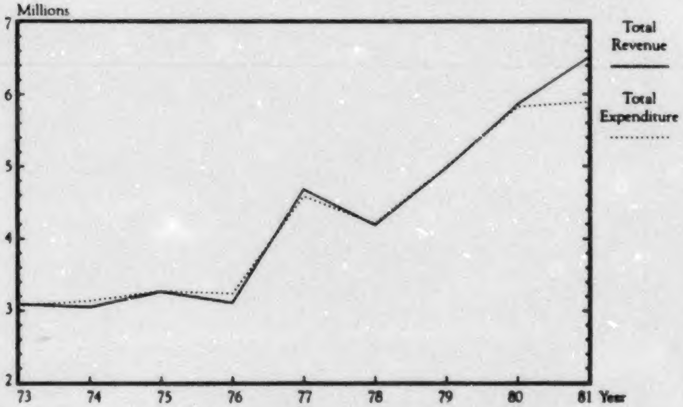


FIGURE 3

Total Revenues and Physical Plant Indebtedness (72-73 to 80-81)

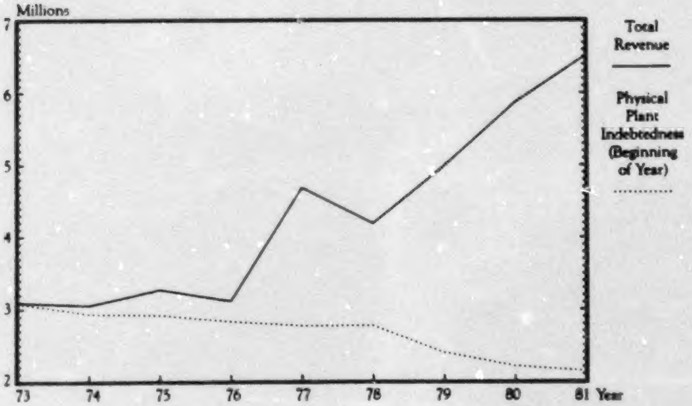
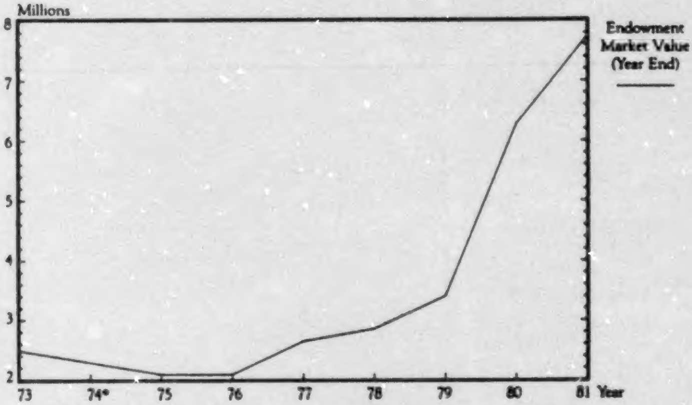


FIGURE 4

Endowment Market Value—End of Year (72-73 to 80-81)



*Endowment Market Value for 1974 is interpolated

NOTE: Data for Figures 1-4 are taken from the Higher Education General Information Survey (HEGIS).

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Harmony College

Summary

Harmony has been described as "a small, intimate, concerned college in a setting of almost incomparable beauty near a large metropolitan area." FTE enrollment in 1981-82 totaled 1,090, including 810 full-time students. About half of the resident students receive at least some financial aid. The endowment is small, but so is plant indebtedness.

The Catholic Order of Sisters who founded Harmony in the last century as a two-year college for women still controls the administration and provides a number of faculty, and Harmony has remained true to its liberal-arts tradition. But it seeks to meet the educational needs of a broad range of constituents, most of whom are career-oriented and many of whom are employed adults enrolled in continuing-education programs. Since the early 1970s, the college has enrolled proportionately more adults, more business majors, more graduate students, and more foreign students.

Harmony's admission standards are not regarded as selective, but they are improving steadily. Undergraduate programs include such subjects as computer science and interior design, but all have a core of required liberal-arts studies. Master's programs are offered in business and in education. Harmony's program orientation is Catholic, ecumenical, value-conscious, career-directed, and reflective of humanistic concerns.

Harmony became a baccalaureate institution in 1951 and became coeducational in 1969. Men now constitute about 40 percent of the resident student body. The postbaccalaureate evening program for teachers, established in 1965, caused head-count enrollment to double in a year's time. The 25 percent decline in FTE enrollment over the four years 1973-76 mainly reflected a loss of part-time adult students. Over the next five years, enrollment steadily increased. Enrollment in 1981 totaled 1,100, including 810 full-time students.

Harmony weathered its enrollment decline without major institutional disruptions because the college's administration and faculty have a long history of cooperative effort to identify and respond to changing program demand. By mandate, the president of the college is a member of the founding religious order. But this religious affiliation has not rendered Harmony hidebound.

When the number of women graduates of Catholic high schools in the region declined, Harmony admitted young men—and recruited male faculty. When a need for continuing education developed in the community, Harmony met it. When part-time enrollment sagged, Harmony made program changes that in good time and order reversed the trend.

Revenue decline was sensibly managed without loss of institutional stability or mission integrity. Harmony's accomplishment is an object lesson in the value of strategic planning—which the institution seems to have developed naturally, on its own, long before the concept was formalized for use in higher education.

HARMONY COLLEGE

Winds of Change

For close to a century, Harmony was essentially a finishing school for women, emphasizing fine and liberal arts. The first major academic change came in 1951, when Harmony established a resident baccalaureate program. In 1965, Harmony opened an evening division, primarily to serve the continuing-education needs of men and women teachers in the area. These postbaccalaureate courses were immediately popular, and Harmony's head-count enrollment doubled in just one year.

In the late sixties, Catholic high schools in the region began losing enrollment, thus reducing the pool from which Harmony had long drawn most of its resident women students. In 1967, faculty, students, alumnae, and trustees began a long deliberation about whether Harmony should become coeducational. With an affirmative consensus, Harmony admitted its first male students in 1969, before any loss of students in the residence program. Harmony was the first women's college in the area to become coeducational; it accommodated the change by increasing athletic activities and hiring more male faculty and adding men to the administration.

The continuing popularity of the evening division prompted Harmony to establish full-fledged master's programs for teachers and business majors. The college also began offering courses off campus, but this effort has remained limited, and Harmony has remained a single-campus institution. The college does offer a number of televised courses through an area network.

Firm Footings

Harmony has made many program changes during the past 20 years, but each change was initiated cautiously and had its roots in past practice at the college. The liberal-arts core curriculum for baccalaureate degrees has been retained. But career-oriented education is a stated aim of the college, with traditional emphasis on the fields of education, business, home economics, and social service. Today's interior-design major grew out of home economics; the computer-science major grew out of the business and mathematics programs. The management-oriented business program had its beginnings in a secretarial program. Career development is stimulated by a requirement that all students earn at least three credits through study or practice relating directly to career opportunities in their field. Policy as well as practice regarding changes in academic programs at Harmony can be summed up as "anticipatory adaptation."

The basic criteria for program changes are *need*, the *capacity* of the college to provide sufficient resources to support the program, and *cost-effectiveness*. Need is substantiated by student demand, employment opportunities in the area, and assessment of offerings at neighboring colleges. Each new program is launched with full determination to make it succeed, balanced by full readiness to let it go if it does not meet expectations. Accordingly, Harmony has dropped a number of off-campus courses, as well as programs in home economics, social welfare, and environment/outdoor education. Most programs are started by offering a course or two taught by part-time temporary faculty or temporarily reassigned regular faculty. When programs do not pan out, usually they are cut before they can become entrenched through tenured faculty and other factors.

Planning Consultants—Look and Learn

Since about 1978, consultants on strategic planning in higher education have been operating all over the country. They offer various systems for introducing the strategic-planning process in a college or university, but they have in common the aim of achieving a simultaneous match among three key institutional factors:

mission, resources, and environment. Though brave sounding, these strategic-planning systems seem artificial and superficial when compared with what Harmony has been doing for decades. At Harmony, each potential change in the environment affecting students and employers is examined in the light of the mission of the college and its capacity to implement and sustain an appropriate program change. We found no particular planning process to accomplish the basic aims of strategic planning, but there was plenty of evidence that program change has long been planned and implemented in the manner prescribed by the lately visible experts.

Planning works at Harmony College because the attitude that "we're all in this together" prevails among faculty, staff, and administrators. Everyone seems to recognize a single top priority. It is to provide students with an education that will enable them not only to make a good living but to make a good life. In consequence, ways to improve educational and personal services to students are constantly being sought.

A Love of Teaching

As a liberal-arts institution of modest size in an affluent urban area, Harmony has no difficulty attracting highly qualified faculty. Some are spouses of faculty at neighboring major research universities. All choose Harmony because they love to teach and prefer a small, intimate institutional environment. Only a few of the faculty are members of the founding order. But their personal characteristics and the values of the order expressed through them are important themes in the life of the college. The return to the college by the order of a sum equivalent to the salaries paid its teaching members is called a "living endowment." The lay faculty are said to be equally dedicated to the values of the order and to the college itself.

Seventy-nine percent of the full-time teaching faculty have doctorates, and about three-quarters of the teaching is done by full-time faculty. Fewer than half have tenure. Part-time faculty is large enough to provide the flexibility needed for program change. Part-time faculty also provide diversity for small departments.

The positive faculty attitude toward change provides another kind of flexibility. Generally, any change that will benefit students is welcomed. When, for example, it became clear that the home-economics program was no longer viable, the home-economics faculty concurred in the decision to phase it out. The faculty at large was as much concerned with helping the administration cope with the situation as it was concerned about the welfare of directly affected faculty.

A Fit Survivor

Harmony is in a populous area that supports a great many public and private postsecondary institutions. There are three community colleges in its county, but Harmony is the only four-year college. It also is the only college where students from several adjacent counties can complete a four-year degree through evening study. In consequence, Harmony attracts a number of transfer students from the nearby community colleges.

While Harmony has succeeded in swimming against the tide, other small liberal-arts colleges in the area have not fared so well. One closed in the seventies, and several others appear to be ailing.

The Roller Coaster

In the years before Harmony established its evening programs, it primarily served middle-income students. Its energetic efforts, beginning in the mid-sixties, to serve a broader socioeconomic spectrum of students, were significantly helped by federal and state student-aid programs. Tuition was kept relatively low through the seventies, and full-time enrollment remained fairly steady through most of the decade before rising to about 650 in 1979. Total FTE enrollment stood at 800 in 1973, dropped to a low of 600 in 1976, then rose sharply in 1977 to 775, in 1979 to about 900, and in 1981 to 1,100. Most of the variation represented changes in part-time enrollment of working adults—the clientele that accounted for the 100 percent increase in head-count enrollment in the mid-sixties, when the evening postbaccalaureate programs for teachers and business majors were established.

Weathering the Breeze

Harmony College has a place in this study because it experienced a net decline in total revenues between 1973 and 1976. Expenditures exceeded revenues in 1972, 1975, and 1976. Subsequently, the college has been able to balance the budget every year, and in 1981 the college had no accumulated operating deficit. The largest annual deficit, incurred in 1975, was $100,000. In contrast with most of the other institutions in this study, Harmony was not thrown into crisis by four years of revenue decline. In fact, some people closely associated with the college were not aware of serious financial difficulty. The $100,000 deficit in 1975 was managed largely through economies in areas outside the education and general operations budget, where cuts would have been most obvious to the general college community. Indeed, educational and general expenditures in 1975 were 20 percent higher than in 1972, although revenues were only 5 percent higher and total expenditures only 9 percent higher. And a projected half-year salary freeze was not implemented.

Savings were achieved principally in institutional support and auxiliary enterprises. Tuition revenue actually rose, though not sufficiently to offset increased expenditures. Revenue from endowment also rose. But no increase in gifts or endowment was achieved, and grant funds dropped temporarily.

Level-Headed Leadership

Harmony's president must be a member of the founding order. The Sister who served as president from 1956 through 1980 was deeply devoted to the college. Her executive style was marked by optimism, industriousness, and decisiveness. She believed in balanced budgets and was reluctant to finance capital improvements by borrowing.

The transfer of executive authority in 1980 was accomplished with virtually no disruption of the administration of the college. The new president is relatively young but has had a good deal of administrative experience, including prior service at Harmony. The retiring president and her successor worked side by side in the president's office for several months. During that time, the new president visited each member of the governing board to discuss her priorities and theirs. The retired president still lives on campus and still advises and provides assistance to the president's office, primarily with external relations.

Some administrative turnover has occurred since the new president took office, but in general her administration appears to be in the tradition of her predecessor.

The academic dean, also a Sister in the order, has served in this capacity at Harmony for many years. She continues as before, assiduously gathering and absorbing information about program demand in the region and thus exercising great foresight about needed program changes at the college. She is well trained in the planning and management aspects of administration and makes good use of that training. Her annual reports include a considerable amount of historical and comparative enrollment data, as well as information on status and changes in physical facilities, curriculum, student services, faculty, administration, and goals. She analyzes these data to ensure that the college sets appropriate goals and achieves them. For example, she established by empirical analysis that a 1:20 faculty-student ratio is necessary for a program, and for the college as a whole, to be cost-effective.

Recently, she surveyed representatives of more than 100 businesses in the area for reactions to the utility of a proposed computer-science program.

Building the Team

In 1975, a former auditor for the college was named comptroller. Before then, the business office had been staffed entirely by individuals who had no specific training for their tasks. The comptroller initiated a number of budget-control measures as well as a deferred-payment plan for students; he seems to have centralized financial decisions more than some thought wise. In 1980, a vice-president for business was hired. He is seeking to reestablish communication and shared decisionmaking regarding the college budget.

The development function was staffed on an ad hoc basis, if at all, before 1975. At that time, a part-time professional development officer was hired and given a budget of $40,000 to $50,000 a year. He consistently raises over $1 million a year.

The admissions office was established in 1967, and since 1968 has been under the direction of an alumna. The admissions office stresses honest recruitment, making sure that potential students get an accurate picture of Harmony and what it has to offer them.

The continuing-education director appointed in 1981, after the death of the much-loved woman who had built up the evening division, places high priority on student satisfaction with instruction. In her first semester on the job, she visited four classes after hearing student complaints. She required one professor who had missed several classes to schedule extra sessions. If she finds that student complaints are justified and not so readily remedied, she does not rehire the instructor.

The Uses of Aid

Harmony College did not fully participate in federal student-aid programs as early as it might have. The college benefits from a state student-aid program; in 1981, 20 percent of Harmony's students received state aid, totaling $220,000. In all, about half of Harmony's students receive aid from one source or another.

Federal and state aid and the contribution of the Sisters' salaries from the order were important factors in the college's successful effort to serve a broader socioeconomic spectrum of students than it once had done. Tuition was kept relatively low through the 1970s, which also helped maintain wider access.

But sharply rising costs forced Harmony to raise tuition a total of 42 percent between 1980 and 1982. In consequence, the ceiling on state aid no longer reaches higher than Harmony's tuition rate. And federal aid levels are in doubt, year to year. So the college has begun to seek foundation support for student aid, giving this purpose high priority in development efforts.

Two in One

During the long period in which Harmony was basically a women's college, the college had both a board of trustees, consisting mainly of Sisters, and a lay board of regents with essentially advisory functions. In the mid-1970s, these groups merged to form a governing board. The board of trustees meets separately only when legal arrangements in the charter require it. The regents are important for their connections in the region as well as their personal assets. Under the merger with the trustees, they are able to play a larger role in college affairs.

Despite forebodings caused by the recent tuition increases and the status of available financial aid, the college community collectively seems cautiously optimistic about financial affairs at Harmony. One reason is that the financial contributions and the leadership of the governing board are regarded as excellent since the merger of the trustees and the regents. The chairman of the governing board is board chairman of one of the largest corporations in the United States.

Building Wisely

The Harmony campus of 100 acres today has 32 buildings, most built before 1970. Many have been recently renovated and others are scheduled for renovation as funds become available. Anticipatory adaptation at Harmony is reflected in the fact that residence halls built in 1966 provided apartments rather than dormitory rooms. This proved highly attractive to students, and Harmony was a decade or more ahead of most campuses in this respect. The residence halls were financed with 50-year bonds at 3 percent, on which the college still owes $50,000. More than $1 million was raised and spent between 1978 and 1982 to renovate the residence halls. The college recently received a $100,000 grant for science equipment and minicomputers for instruction. And $200,000 has been raised to modernize the science facilities.

Ten years ago, the value of Harmony's endowment was $200,000. The endowment is now valued at more than $1.6 million, much of the increase coming in the past three years. Harmony is cultivating business and community leaders and potential major donors as friends of the college. College facilities are made available for community use. The periodic revision of academic programs to meet the needs of students and the employers in the area is the point of departure for all the college's efforts to integrate itself into the life of its immediate community and nearby towns.

Harmony's alumni roll is small. And since many graduates of its strong continuing-education program have gone on to teaching or public service, their potential as major contributors is small. Nonetheless, Harmony has a growing alumni program.

Ellen Earle Chaffee

Commentary

In one sense, it is inappropriate to try to describe the causes of decline at Harmony and the college's responses. Except for a few top administrators, no one perceived decline at Harmony. Any financial difficulty caused by declining revenues was minor in its effects on the college. Harmony's experience is most interesting for what it implies about the role of anticipatory, incremental strategic decisions as possible preventive measures for decline. One overarching lesson emerges:

> **A college can make major academic changes that appeal to new clientele while remaining true to its mission.** During the past 15 years, Harmony has offered its first graduate programs and its first nonresidential baccalaureate degree program in seven fields. It has gone into the field of business management through the MBA degree with great success. It has expanded greatly its explicit and implicit career-oriented programs. The clientele to whom these changes are designed to appeal is vastly different from the women undergraduates in liberal arts who used to make up the student body.
>
> These changes have succeeded in part because college personnel have proved exceptionally shrewd in determining what programs were needed in order to appeal to sets of potential students whom they had not tapped. Equally important, perhaps, is the fact that the college attempted virtually nothing with which it had not had some kind of prior history. This enabled participants in the changes to feel that they understood how the change fit with the overall mission of the college. It also enabled the college to profit from what participants had already learned about the direction in which Harmony was moving. At the same time, Harmony responded to the increased need among students for career preparation without losing sight of the value of a liberal education as it has been traditionally understood.

FIGURE 1

Total Full-Time and Total FTE Students (72-73 to 80-81)

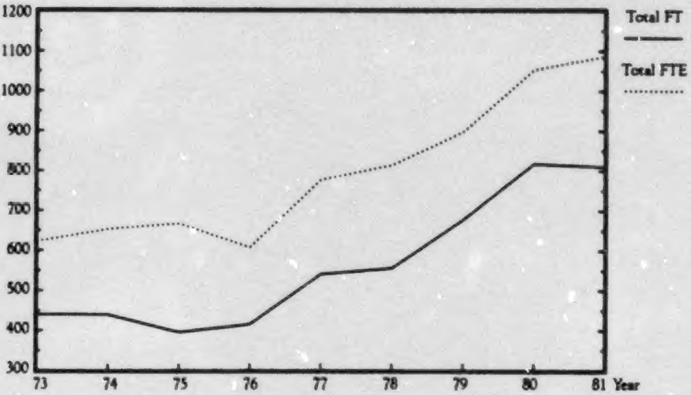


FIGURE 2

Total Revenues and Expenditures (72-73 to 80-81)

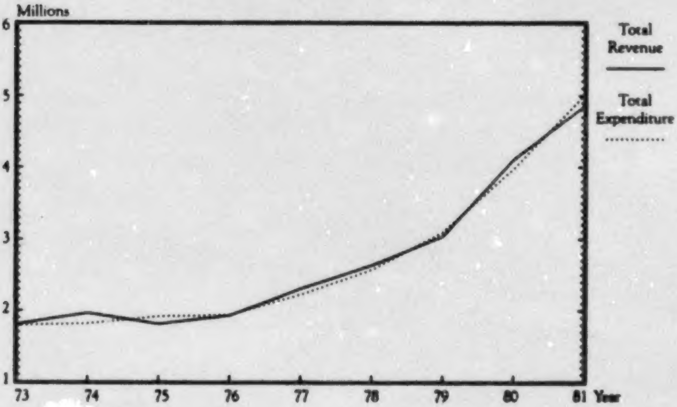


FIGURE 3

Total Revenues and Physical Plant Indebtedness (72-73 to 80-81)

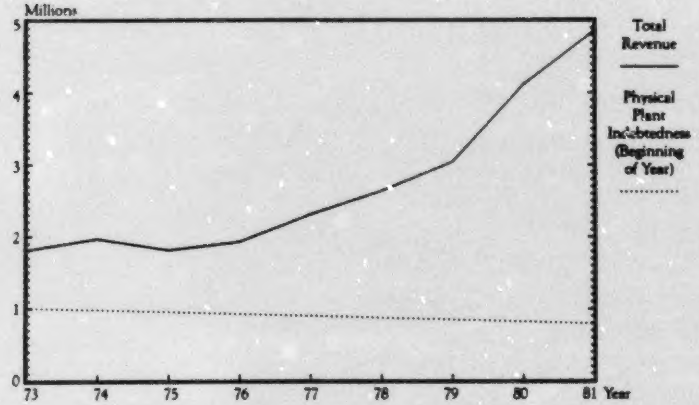
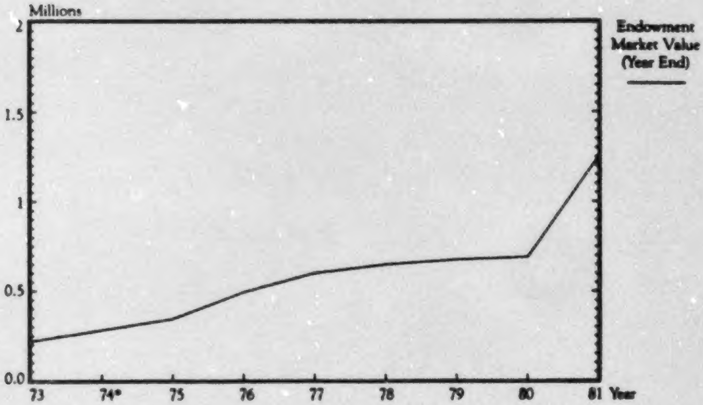


FIGURE 4

Endowment Market Value—End of Year (72-73 to 80-81)



*Endowment Market Value for 1974 is interpolated

NOTE: Data for Figures 1-4 are taken from the Higher Education General Information Survey (HEGIS).

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Conclusion

In the introduction, I briefly surveyed the major characteristics of the higher-education environment in the seventies, which contributed to decline and then affected recovery efforts at the colleges included in this study. At this point, a fuller understanding of that collective institutional experience may result if we consider, again in summary fashion, the principal features of the environment that existed for higher education in the fifties and the sixties. I suggested at the outset that one should not attribute decline at the colleges in this study merely to poor executive foresight and rash fiscal behavior. Many administrators must cringe nowadays at a line item in the operating budget to cover debt service on half-empty dormitories. They should try to recall what things were like when those dorms were built in the late sixties. On most campuses, three students lived in quarters originally meant for one or two. At more than one institution, some new students bedded down in sleeping bags and on cots, until temporary housing could be found. America's colleges and universities were badly overcrowded in the late sixties, and that condition demanded response. Our case studies testify that the manner of response, rather than the fact of response, was the major determinant of the depth of the decline that followed and the extent of ultimate recovery. So let us here briefly recall the social, political, and economic developments that created those enormous expansionary pressures.

The Calm and the Storm

Higher education in the United States historically has been frugal and slow to grow. The traditionally cautious approach to expansion was well exemplified in the years immediately after World War II, when some two million veterans enrolled under the G.I. Bill. War-surplus quonset huts and barracks were used to house the veterans and their young families on campus, and very little permanent capital construction was undertaken to accommodate what was viewed as a transient bulge in enrollment. And college enrollment did remain relatively stable during the fifties. One reason was that the 18-24 cohort (born 1936-42) gradually got smaller—16.1 million in 1950 and 15.1 million in 1958. (This cohort totaled 23.7 million in 1970, because of the baby boom after World War II.)

The percentage of high-school graduates entering college rose and the size of the age 5-17 cohort steadily increased (30.8 million in 1950, 43.9 million in 1960) during the fifties. Taken together, these trends pointed to a substantial increase in the demand for college places in the sixties. But less foreseeable factors, beginning with the launching of the Soviet Sputnik satellite in 1957, were to escalate that demand beyond the most sanguine expectations. The National Defense Education Act initiated a period of unprecedentedly liberal federal aid to education, through various channels. Huge increases in funding for campus-based scientific, technological, and social research were included. President John F. Kennedy's crash program to put a man on the moon and the rapid expansion and sophistication of weapons technology created unexampled demand for education in virtually all scientific disciplines and related professional fields. At the same time, higher education came under an urgent mandate to extend access to racial and ethnic minorities, including those not adequately prepared for college-level work. Universal access became a broadly espoused and politically charged ideal, if not quite a formal national goal. Perhaps as strong as all of these lines of force together was the development of widespread public belief in the efficacy of higher education. By the mid-sixties, a college education was regarded in middle-class America as the normal next step after high school, and this expectation was clearly communicated to state legislatures. To all of these incentives for a college education was then added, for large numbers of young men, an earnest desire to escape military service in Viet Nam by attending college.

A Growth Psychology

The cumulative tide of demand overwhelmed not only the physical and faculty resources of the higher-education enterprise but also the inertia of its traditional conservatism. John Kennedy's promise to get the country moving again and Lyndon Johnson's vision of the Great Society made stability seem synonymous with stagnation. In such an atmosphere, and in the face of demands for admission the like of which had not been seen even in the G.I. Bill days after World War II, one can hardly blame private colleges for adopting an expansionist outlook.

We should acknowledge the failure of all sectors of higher education to temper long-range expectations of growth on the basis of the sharp downturn in the birth rate after 1960. But this was not prima facie evidence of wishful blindness. Enrollment expanded in the sixties far beyond the level that could be attributed to the postwar baby boom. It did so because increasingly liberalized access effectively became a matter of social policy. Any fair consideration of the causes of a period of protracted decline at small private colleges in the seventies must proceed with the understanding that expansion by private colleges in the sixties was not on its face unreasonable or reckless. Nor is it fair to say that precipitous decline, with its accompanying financial stress, was proof of an untoward lack of foresight into national developments and trends in the demand for higher education. Some of the external causes of decline were not reasonably foreseeable, and some were not inevitable.

Money for the Asking

At this point, it would be good to look at some of the financial aspects of the profoundly changed environment that the sixties presented for small private colleges. The greatest contrast with the past, perhaps, was in the availability of credit, in several forms—long-term, low-interest federal loans to construct dormitories, long-term loans from commercial banks to finance new facilities, and short-term bank loans to cover operating deficits. The emergence and proliferation of the credit card signified national acceptance of the concept of a credit economy secured by the prospect of growth. Mortgaging the future replaced saving for a rainy day as the norm of financial practice in America. Moreover, even a small institution has a substantial impact on the economy of its immediate surroundings. So growth at the local college was a welcome development in the business community. It is the business of banks to supply the credit needed to promote local business. As a result, small private colleges had little difficulty floating loans, even if they were not regularly posting an operating surplus with which to finance capital construction. We have seen this to be true even for colleges that from time to time were posting substantial deficits that had to be covered with short-term loans.

Another major change in the financial picture throughout higher education was the new availability of substantial federal student-aid funds, in some instances supplemented by state programs. Traditionally, enrollment at private institutions was limited by the ability of qualified students to pay and the college's ability to make up individual shortfalls with scholarships, grants, and loans. Typically, economically disadvantaged students had to compete for institutional aid on the basis of academic merit. But in the sixties, almost any needy student who could meet a private college's minimum admission requirements could also qualify for substantial government aid under one or more programs. Thus growth in enrollment did not demand a concomitant increase in an institution's ability to provide student aid. Nor did it require the institution to lower its admission standards. In effect, the availability of student aid from public funds created a whole new constituency for liberal-arts colleges in this country.

Hindsight reveals that extensive use of credit and reliance on massive federal student-aid programs trapped many small private colleges: they began to rely on the tenuous assumption that every year would be more prosperous than the previous one. When the economy and enrollment trends undercut that assumption in the 1970s, all colleges were jarred. At colleges where administrators had neglected efficiency concerns and encouraged unchecked expansion, decline was severe, usually life threatening, and recovery was harshly difficult and drawn out.

Our case studies show that the fate of a small private college often is not determined by national or regional trends so much as by its own conduct. The late seventies and early eighties are generally characterized as a period of retrenchment in American higher education. Yet for some of the schools we have looked at, this has been a period of recovery and resurgence. The one unequivocal conclusion that seems dictated by the empirical evidence of these case studies is that for better or worse, the colleges themselves were the principal architects of their own futures. The institutions whose progress out of decline has been more tenuous cannot blame their troubles on the stars. That being true, we should be most concerned, in retrospect, to determine the common elements in the processes and progress of events among those colleges at which decline was a rude awakening rather than a crippling blow.

Bimodal Strategy

My own analysis of these cases leads me to conclude that the progress of recovery was largely determined by the college's ability to adapt itself to its environment and by its skill in employing interpretive strategy. I see the ability of an organization to adapt to its environment as a necessary but not sufficient condition for recovery. All of our colleges made adaptive changes in response to environmental conditions—changes in program offerings, modifications of program content, and changes in institutional policies. Administrators and faculty thought specifically about the institution's markets and its relationship to those markets. At the more successful schools, informal communication networks arose: individuals could look, listen, and compare notes with others about signals from the environment and what they meant for the college. In these small, relatively homogeneous institutions, adapting did not require elaborate management-information tools or systems. It did require a willingness to become aware of and respond to what was happening in the world around the college.

Recovery also required the use of interpretive strategy, which involves something that may be termed "the confidence factor." Relative skill in employing interpretive strategy was the critical difference between the schools that recovered fairly quickly and fully and those that did not. To the extent that the stories of these colleges are the stories of their presidents, the concept of interpretive strategy explains why. Unfortunately, the concept eludes concise definition.

CONCLUSION

Interpretive strategy is grounded in the social-contract view of organizations. This view discounts the importance of organizational goals, focusing instead on the goals held by the various individuals and interest groups that choose to associate with the organization. Social-contract theory holds that an organization prospers as long as sufficient numbers and types of individuals and groups choose to participate in and contribute to the organization in various ways to generate the benefits they value. Implicit in this theory, of course, is the need for organizational goals to be broadly compatible with the goals of constituents—a notion that may be truistic, but in application it is anything but simplistic.

The Subjectivity of Success

In the social-contract view, then, the critical difference between colleges with similar programs, such as the colleges in this study, is the extent to which constituents have confidence that a given college will pay off as expected, in all of the diverse ways necessary to satisfy the multiplicity of constituent goals. Constituents, or participants, include parents, faculty, students, staff, donors, townspeople, legislators, potential students, and others. Each group has both role-related and personal priorities. The variety of expectations means that virtually every aspect of the college must inspire confidence. The purpose of interpretive strategy is to establish the credibility of the organization with its constituents to create this confidence. During the 1960s, colleges enjoyed unearned credibility as they grew effortlessly in enrollments and revenues. Moreover, colleges found it unnecessary to pay attention to the confidence factor at a time when all of society embraced the notion that growth is progress. Perceptions of a college were formed largely on the basis of the size of its student body, its applicant pool, and the extent of its growth during the previous year. So long as growth was obvious, constituents tended to assume that the organization was strong and effective in many other ways. The general assumption that all was well included those aspects of the organization that particularly interested individual constituents. Little or no accountability was demanded or expected. In such an atmosphere, faculty, administrators, and trustees concerned themselves more with options than values.

The Beholders' Eyes Narrow

When growth stopped, confidence collapsed and suspicion arose: perception and meaning became acute issues. At Enterprise College, for example, it is difficult to pinpoint specific changes that seem likely to have precipitated decline. Neither revenues nor enrollments were so drastically reduced that closure was imminent. But the perception of decline, augmented by the rumors of closure, speeded deterioration of the situation. Conversely, the herculean efforts of many people to restore the viability of Rally College were aimed almost exclusively at restoring the confidence of townspeople and church leaders in the credibility of the organization and its leadership.

The single most important implementer of interpretive strategy is the president. The president is not only the dominant figure when key decisions are made and important things are done, but also the personal embodiment of the organization. The language conveying the organization's identity and hopes comes from the president. Some presidents are better than others at capitalizing on these opportunities.

Presidents who effectively used interpretive strategy showed great personal sincerity and dedication. They told the truth and they had strong communication skills. Their tone was one of sensible optimism. They were committed to a few immutable cornerstones, such as the integrity of the organization's purposes and the worth of the people of the college. They communicated their commitment and confidence to those who could provide the resources necessary to maintain institutional integrity and protect the people of the college.

If the college adapted to its changing environment, the president structured and explained such changes as extensions of familiar activities and values. Thus when expenditures had to be cut, the president made it clear that minimizing human costs was a central factor in the inevitably painful decisions. But situations threatening to the credibility of the organization were not tolerated.

Effective presidents also surrounded themselves with the most able administrators they could find. For example, several colleges had employed vice-presidents for business and finance who were incompetent. Effective new presidents quickly replaced them, knowing that the change would not only help rationalize the financial situation but also would enable the college to present itself truthfully to potential donors as reliable and efficient.

Taking steps such as those I have outlined enabled effective presidents to win the support of faculty, staff, and students. And by putting their houses in order, these presidents gained solid ground for stimulating support from dormant external constituents. They were able to show prospective students and donors that each could have confidence in the ability of the college to provide high-quality programs, to produce a high yield of value for each dollar invested, and to meet other individual goals.

This Above All

When all due allowance is made for the effectiveness of adaptive and interpretive strategy, we still must acknowledge the transcendental importance of questions of value. Under the painful and protracted stresses of recovery, a college must have no doubt about the foundation on which its integrity rests. If educational values are subjective when stated in the abstract, they certainly find objective form and expression in the institutions we call colleges and universities. The sixties were an anomalous period of plenty in American higher education, a time during which the time-honored habits of frugality proved easy to break. For as Samuel Johnson said: "He who may live as he will, seldom lives long in the observation of his own rules." But when frugality and prudence and fortitude regained their former stature as organizational virtues, impelling motivational issues arose. Recovery involved a reexamination of purposes and a reaffirmation of faith in the college as an institution worth saving and serving.

The confidence factor gives tensile strength to all of the invisible ties between the ideas and values that the college embodies and its constituents—the immediate community of scholars and students and the enveloping community of constituent benefactors and beneficiaries that together give the college its visible substance. Confidence has the odd power to perpetuate not only itself but its object. Having confidence in the values of a college motivates people to maintain and enhance those values. And as we have seen, wide confidence in the values of the college furnishes the basis for just evaluation of performance, starting with the president.

One can generalize that recovery from organizational decline is largely a business of instituting or reestablishing a rational basis for organizational activity. But organizational rationality, like logic itself, must proceed from sound precepts. Recovery requires the articulation of values that can be widely shared. In the world of small private colleges, at least, an effective leader is one who fully perceives the interdependence of values and effectiveness—and who is constantly guided by this knowledge.

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